

INDIANA GAMING COMMISSION

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Volume I

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Evansville, IN 47708

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1 MR. CHAIRMAN: We'll declare that
2 the meeting and hearing of the Indiana Gaming Commission in
3 Evansville, Indiana will now commence. Let the record show
4 that all of the commissioners are here and present and
5 therefore quorum exists. First, on behalf of the
6 commission, I want to tell you that it is our pleasure to be
7 here in Evansville.

8 As you all know, we start down a road where
9 we are not just going to sit in Indianapolis and decide
10 questions which involve people in the other parts of the
11 state without regard to their particular situations, but
12 that we felt that it was important that this Commission get
13 out and hold it's public hearings in the areas, particularly
14 as we are considering licensing a particular area.

15 So we are here today to come to hopefully --
16 the commencement of the final proceedings to issue a license
17 for Evansville, Indiana, and we are very pleased to be
18 here. This is a fine fine city, and we certainly, on behalf
19 of the Commission, wanted to tell you that your hospitality
20 is grand, and we enjoy coming to Evansville. After we
21 finish these hearings however as a Commission, we probably
22 won't come back again because we've got other work to do,
23 but all that I can say is that our time in Evansville has
24 been very pleasant, and we want to thank you.

25 And I think I want to take -- to say on



1 behalf of the Commission that you, Mayor MacDonald, have
2 really made our stay here very enjoyable and have
3 facilitated our proceedings here to a great degree.

4 I will introduce Mayor Frank MacDonald.

5 MAYOR MACDONALD: Well, thank you,
6 Mr. Chairman. Let me say good morning to you and all of the
7 Commission members and Executive Director Thar and staff and
8 welcome you back to the city of Evansville. There's been a
9 lot of activity in our community since your last visit on
10 May 6 of last year, and we are very excited about the work
11 that you will do here over the next couple of days and the
12 decision that you will reach, and certainly that will have
13 major impact on our community for many many years to come so
14 we're honored that you're back with us today.

15 I must tell you that there is probably no one
16 happier about you being here than myself. It has been
17 rather hectic in our community the last couple of weeks.
18 These three gaming companies have been pulling out all the
19 stops. I think we've engaged in a lot one upmanship. We've
20 had, I think on the average of about one new conference per
21 hour going on in our community, and we've had programs
22 within facts and we've had programs within fiction and we've
23 had programs within science fiction put out over the last
24 week or ten days.

25 And if that wasn't exciting enough, on top of



1 all that we even had programs within barges break loose on
2 the Ohio river. And the Coast Guard tells me that that
3 hadn't happened in over ten years, at least no reported
4 incident. And I know it was just a coincidence; we all know
5 it was a coincidence that it happened right here before
6 these hearings.

7 But I must -- I must tell you what is
8 interesting about that is that these barges, not only did
9 they break loose, but they moved down the river and they
10 passed all of the proposed docking sites. They didn't hit
11 Dress Plaza. They didn't hit River Front Park. Now, much
12 to the chagrin of Ashland Oil Company, on farther south they
13 did a little damage to their dock. And I guess I can only
14 conclude from all that, that the remote control steering
15 device still needs a little perfection.

16 You know, I came down here this morning and
17 drove down our river front. The river is up a little bit.
18 I couldn't go down on the Plaza, but looked over the wall
19 fully expecting to see three boats out there this morning.
20 I thought I'd probably see a boat out there that would be
21 entitled The Spirit of Alan Klineman. I thought I'd
22 probably see a boat The Spirt of Jack Thar, and I thought
23 well, they're going to really hit on the local commission
24 member this week, and I'd probably see a boat, The Spirit of
25 Don Vowels. Well, I didn't see the boats. And I'm sure



1 when you looked out your hotel room window today you didn't
2 see them either.

3 But I want you to know that if any one of the
4 three of you express any incline or desire to see one of
5 those boats, I almost can assure you that the cellular
6 phones in this in fact, bring room will begin to buzz, and
7 they'll be there by the time you break for lunch. I say
8 that in gist, of course. Today you're going to hear three
9 companies give presentations who have put forth a lot of
10 effort and a lot of hard work and have spent a lot of money
11 in developing those presentations, and as Mayor of this
12 city, I would have to publicly thank all three of them for
13 the interest that they've shown in our community. It should
14 make all of us in Evansville feel very proud and very good
15 about our city, that there is this kind of interest being
16 expressed.

17 I look forward to visiting with you tomorrow
18 morning to discuss in great detail the steps that we've
19 taken in this in fact, bring community. But today it's the
20 gaming operators day, and so I will just leave you with once
21 again saying welcome back to Evansville, and I will say to
22 you what all of the gaming companies notoriously like to say
23 to their patrons, may we all have a lucky day. Thank you.

24 MR. CHAIRMAN: Thank you, Mayor.
25 Well under the rules that we try to play by, we have given



1 each one of the applicants one hour and 15 minutes to make
2 their presentation. I would request for the sake of record
3 that those who are going to speak state their names so we
4 can make a record because it's important. And we will try
5 to hold you to the time limit. If, however, you feel that
6 you must finish early, we won't fault you for that.

7 So with that, we would ask boat Aztar people
8 to start their presentation, it being 20 minutes nine, I
9 guess. I'm still on Indianapolis time; I'm an hour ahead,
10 but it's 20 minutes of, so if you'll proceed. Thank you.

11 MR. RUBELI: Thank you, Mr.
12 Chairman. I'm Paul Rubeli, chairman, president and chief
13 executive of Aztar. Pleased to be here this morning. We
14 were stunned to see how many supporters for the Rising Sun
15 came to see our presentation today, and I appreciate their
16 attendance. I was thinking last night, as I lay awake
17 thinking about these presentations today, where it all began
18 a year and a half ago.

19 In the spring and summer of 1993, the gaming
20 industry was looking at lots of states around the country
21 for potential expansion of casino gaming. And among other
22 jurisdictions there was a lot of interest in Mississippi and
23 in Louisiana. We faced the decision of where to commit our
24 resources and where to concentrate our development efforts,
25 and we chose back then, for a variety of reasons, not to go



1 to Mississippi and not to go to Louisiana, but instead we
2 concentrated our efforts on Missouri and Indiana. And I'm
3 pleased today we did concentrate our efforts on Missouri and
4 Indiana, considering the events that have unfolded since
5 then in both Mississippi and Louisiana.

6 Within Indiana, I think in the summer of
7 1993, our people visited almost every city that in any way
8 shape or form was going to contemplate casino gaming. We
9 were in New Albany, we were in Jeffersonville, we were at
10 the Rising Sun, we were at Gary, Michigan City. In fact, we
11 made the selection committee's short list in Rising Sun, and
12 we also made it to the last so called magnificent seven in
13 Gary. We became the sixth because we choose to back out.

14 And the reason is because by then we had
15 decided to concentrate our efforts and make our commitment
16 to the city of Evansville in this in fact, bring market. So
17 in February of 1995, I had a chance to reflect back over
18 this year and a half and say, did we make the right decision
19 or not? And my view is unchanged. The choice of Indiana
20 was the right decision because you have have have have have
21 have have have a good gaming law and because you have have
22 have have have have have have have a good regulatory tone.
23 And I think the city of Evansville was the right decision
24 because it's a great market and it's also a great
25 community.



1 So today we're going to try to convince you
2 why Aztar would be a great choice for you and for Indiana.
3 We've assembled a project team that has worked diligently
4 over this last year and a half and they've worked hard as
5 you'll see some evidence of today. And they're all here in
6 the front row. I think that's our row for Aztar, and I'd
7 like them all to stand up for a moment if you would.
8 They're available for questions later if the need should
9 arise. The actual presentation itself will be made by four
10 of us seated here at this table.

11 As I said earlier, I'm Paul Rubeli, chairman
12 and chief executive of the company. A little bit of
13 personal background for you. I've been with Aztar for 15
14 years. I have an undergraduate degree in engineering
15 science from the University of Notre Dame in South Bend, so
16 I've had four years of Indiana life as part of my life, at
17 least back in the college years. I went on and got a
18 master's degree in business administration from Columbia
19 Business School in New York. I'm married to a wife of 28
20 years and have three children. We live in the Phoenix,
21 Arizona area where Aztar is headquartered.

22 Today, I'm going to cover the points that are
23 listed on this slide, and I'll be followed by Lestor
24 Brzozowski, our senior vice president of riverboat
25 operations who will cover our operating plan, followed by



1 Captain William Holt, U.S. Coast Guard retiree, who will
2 describe to you a marine risk assessment study they have
3 performed on our behalf. And then finally will be Bob
4 Haddock, our executive vice president, chief financial
5 officer, and also a member of our board of directors who
6 will describe to you our project financing as well as our
7 economic impact anticipated for Indiana.

8 So with this by way of background, I'd like
9 to turn to the first item on this slide, and that is a brief
10 overview of Aztar Corporation. We are a New York stock
11 exchange company. We've been in the gaming business for 15
12 years. We do over 500 million dollars annually in revenue.
13 We do over a hundred million dollars annually of cash flow.
14 We operate three hotels in the major gaming markets. Trop
15 World in Atlantic City, New Jersey, Tropicana in Las Vegas,
16 Nevada, and Ramada Express in Laughlin, Nevada.

17 We are also opening a riverboat casino in
18 Caruthersville, Missouri expected to be open in April of
19 this year. We are licensed in New Jersey; we are licensed
20 in Nevada. We have a license pending in Missouri. We have
21 an excellent reputation among the regulators for business
22 and financial integrity. I'd like to show briefly programs
23 within shots of our properties and describe to you what kind
24 of facilities Aztar owns and manages.

25 This is Trop World in Atlantic City, one of



1 the largest of the casinos in one of the world's most
2 competitive casino markets. We have over a thousand hotel
3 rooms and are currently building over 600 more, which will
4 give us a total of 1,650 rooms, which will make us the
5 largest hotel in Atlantic City, larger even than Trump's Taj
6 Mahal, in fact will make us boat largest hotel in the state
7 of New Jersey.

8 We have a 92,000 square foot casino. That's
9 the third largest casino in Atlantic City. We have over
10 80,000 square feet of convention and meeting space. We have
11 a 1,700 seat show room; the largest headliner entertainment
12 showroom in Atlantic City. And we have a two acre indoor
13 family oriented amusement park and theme center that we call
14 Tibbaly Pier, a very unique attraction in the gaming
15 business.

16 This is the Tropicana in Las Vegas. It's on
17 the famous Las Vegas strip, also one of the most competitive
18 casino markets in the world. We have over 1,900 hotel rooms
19 and over 100,000 square feet of convention and meeting
20 facilities. We have a 45,000 square foot casino and a 1,200
21 seat production showroom. The Tropicana is a destination
22 resort and it features a tropical island theme with a five
23 acre water park complete with tropical fish, tropical birds,
24 lagoons, water falls, and the largest indoor/outdoor
25 swimming pool in Las Vegas.



1 And finally, this is Ramada Express in
2 Laughlin, Nevada. Laughlin is located on the intersection
3 of the borders of Nevada, California and Arizona. There are
4 ten casinos lined up in a row in Laughlin, so it also is one
5 of the most competitive casino markets in the world. We
6 recently expanded the Ramada Express and now have 1,500
7 hotel rooms and a 45,000 -- excuse me, a 50,000 square foot
8 casino. It has a highly themed motif to it, and in this in
9 fact, bring case, the theming is the Victorian Era of the
10 Railroads. It's a fun and fanciful and exciting kind of
11 theme that we've highly developed in this in fact, bring
12 particular market.

13 This is the overview of the physical property
14 we have. All told, we have 8,000 employees at these
15 properties, 4,400 hotel rooms, 185,000 square feet of casino
16 space, 180,000 square feet of convention space, 40
17 restaurants and lounges, and as I said earlier, a 1,700 seat
18 showroom, the largest in Atlantic City, a 1,200 seat
19 showroom in Las Vegas, five acre water park, two acre indoor
20 family amusement park, and some of the finest headliner
21 entertainment and review shows in the casino industry. All
22 of this are boat physical things that make up Aztar
23 Corporation.

24 I'd like to back up to the 8,000 employees
25 that are listed at the top of this list. Our employees are

1 our most important asset. We believe strongly in
2 friendliness and courtesy, and we try to attract the people
3 that provide friendly and courteous service. We're also
4 committed to affirmative action and EEOC programs. Our
5 record on the hiring of minorities is simply outstanding.
6 I'd like to share this data with the commission. Trop World
7 currently has 46 percent of it's employees minorities.
8 Tropicana, 41 percent of it's employees are minorities, and
9 Ramada Express, 23 percent are minorities, about twice the
10 ratio of minorities that live in the local community.

11 Now, in recent weeks, I've seen a number of
12 news accounts and press releases and programs within news
13 conferences met to compare in like comparisons between our
14 promises for Evansville and the hiring of minorities and the
15 promises of programs within other applicants. Well, we
16 invite that comparison to our plans and promises for
17 Evansville, but hid by comparisons to the actual results of
18 their operations in terms of minority hiring and what is
19 their record. This is our record, and we're very proud of
20 it.

21 We are convinced that we will fulfill our
22 promises to the hiring of minorities in the Evansville area,
23 particularly those individuals from the fourth and sixth
24 wards of Evansville. We're also in this in fact, bring
25 company committed to the hiring of women. We have currently



1 at Trop World, 46 percent of our employees are female, 49
2 percent at Tropicana are female, and 48 percent at the
3 Ramada Express are female. I think in the casino industry
4 that this record on hiring of minorities and the hiring of
5 women is simply unmatched and unparalleled, and we are proud
6 of the results that we've produced in this in fact, bring
7 company in terms of our commitment to these efforts.

8 We are also committed to the proposition of
9 purchasing goods and services from women- and minority-owned
10 business enterprises. In 1993, during our license renewal
11 hearings in New Jersey, the then chairman of the New Jersey
12 Casino Control Commission took the unhighly unusual step of
13 singling us out and commending us for our commitment to MBE
14 and WBE programs. Partially quoted in effect, we take the
15 obligation very seriously in having exceeded the
16 commission's requirements in this in fact, bring area.

17 And later the record goes on to show we were
18 complimented for these efforts. In 1994, our actual results
19 of purchasing from WBD, MBE enterprises was 21 percent, far
20 in excess of the New Jersey state goal of 15 percent for
21 minority and women combined. Now, Indiana has a goal of 5
22 percent purchasing from women and ten percent for
23 minorities, and I assure you that we are committed to not
24 only achieving these goals, but in fact, exceeding these
25 goals.



1 With this overview Aztar's background, I'd
2 like to turn to our capabilities for the creation of the
3 greatest economic impact for Indiana. Beyond the economic
4 impacts addressed by the IUPUI and it's studies, we think
5 Aztar has unique capabilities that will permit us to make
6 the greatest economic impact in the state of Indiana. I'd
7 like to discuss these capabilities and I would ask that
8 perhaps you give them programs within consideration in your
9 evaluation as to which applicants will make the greatest
10 impact for Indiana.

11 We have a track record of continuing
12 investments in the communities in which we operate. This
13 has been developed over 15 years of activities in these
14 communities. In each case, in each community we have more
15 than doubled our original investment in those communities.
16 From over 400 million to almost 1 billion in total over the
17 years. We ask that you consider this track record in
18 evaluating our potential impact for Indiana, because it's
19 not only the initial investment that creates economic
20 impact, but of course it's additional investments that will
21 create economic impact in the future. And this is not
22 necessarily considered in the IUPUI work and their motto.

23 Management experience and stability is a key
24 to economic success. We have experienced senior managers.
25 They are a stable group of individuals. They are also well



1 respected in the casino industry. For example, our peers in
2 the casino industry in Las Vegas recently elected our
3 president and general manager of the Tropicana to head up
4 for the next year the Nevada Resort Association, the major
5 industry trade association in Nevada.

6 In the riverboat gaming industry, one of the
7 keys we think to long term success will be the ability to
8 develop more than a riverboat. We believe that our
9 substantial experience as a company in land-based casino
10 resorts will be utilized to develop more than a riverboat
11 here in Evansville. The experiences in Mississippi are
12 showing that operators, unless they have a monopoly, who are
13 operating floating casinos only, are failing when matched
14 against operators with land-based hotels and resort type
15 facilities as well.

16 We also as a company have very important
17 context and experience in the tourist, tour and travel
18 industry. Particularly resulting from our activities of the
19 Tropicana in Las Vegas. In 1994, the Tropicana sold over
20 75,000 room nights to the tour and travel segments of this
21 industry. These tour and travel networks will be a
22 capability called upon when selling Evansville. We are a
23 very strong casino convention and meeting company,
24 particularly a casino convention and meeting company. In
25 1993, in total at the bottom of this slide, you can see that



1 we did almost 1,300 meetings and sold over 130,000 room
2 nights to the convention market. This convention and
3 meeting capability will be an important factor in creating
4 economic impact, not only for Evansville, but also
5 potentially for Indianapolis and other cities in Indiana as
6 well.

7 Entertainment will be a key part of our
8 marketing plan, and we have substantial experience and
9 context to call upon as a result of running the largest
10 headliner showroom in Atlantic City. This is a list of
11 stars who have appeared at our showroom at Trop World in
12 Atlantic City. We have done business with over 90
13 headliners, almost all the famous names in show business.

14 We have sales offices at a marketing presence
15 in both the east coast and at the west coast markets.
16 That's unique among the applicants. These offices and this
17 capability will be important in rapidly extending the reach
18 of the Evansville marketing effort the casino markets that
19 already exist in the east and the western parts of this
20 country.

21 We have capabilities and extensive experience
22 in operating large 800 number reservation systems and will
23 incorporate this experience in the marketing of the
24 Evansville hotel. We have very extensive customer databases
25 developed over 15 years of presence in the major gaming



1 markets. For example, our casino in Atlantic City last year
2 did over \$300 million in casino revenue coming from several
3 million customers who visited us. Through customer database
4 systems, we were able to identify 81 percent of that revenue
5 direct to individual customers for whom we have names,
6 addresses, telephone numbers and gaming preferences.

7 The key to success in marketing is know your
8 customers. This company knows its customers. We will use
9 our database capability in Evansville. One of the most
10 important capabilities of all we think is the ability to
11 compete in highly competitive markets. It's easy to be
12 successful in a monopoly and the riverboat markets are often
13 monopolies initially, but as competition develops, the
14 ability to compete becomes critical.

15 We now successfully compete in the most
16 competitive casino markets in the world. For example, last
17 year, which was a very tough year competitively in this
18 casino industry, we succeeded in increasing our operating
19 cash flow at each of our properties in all three of the
20 major markets. One of few companies in this in fact, bring
21 industry to do so.

22 Having discussed all of these capabilities
23 and ending with the notion of a highly competitive market, I
24 would now like to turn to the Evansville market and our
25 specific project proposed here. Evansville has 650,000



1 people living within 50 miles. Two and a half million
2 people live within a hundred miles. It's a regional market
3 focused primarily on Illinois, Kentucky, Tennessee, and of
4 course Indiana. It's also a regional and national
5 convention market potentially, and it's a tourist and tour
6 and travel market. It also will be a highly competitive
7 market in the longer term, not initially perhaps, but in the
8 longer term, sure enough and inevitably, a highly
9 competitive market will evolve in Southern Indiana.

10 On this map, which is a map of the greater
11 trading area showing Indiana in the upper right, Illinois in
12 the upper left, Kentucky in the bottom portion, and right in
13 the center is Evansville, the large dot shows casino
14 locations, boat existing locations, particularly the
15 Illinois locations, and programs within potential locations
16 over the next few years.

17 This map shows how competitive this market is
18 going to be in longer term. Particularly after casinos open
19 up closer to the Louisville metropolitan area, markets shown
20 on the right edge of the outer circle; however, in the
21 meantime, Evansville will have a window of opportunity to
22 solidify it's market position before casinos serving the
23 Louisville metropolitan market open up. This slide depicts
24 that situation. Before the other casinos open up, our
25 closest competition will be the Metropolis, Illinois casino



1 on the lower left corner of the circle. Metropolis
2 currently is in a monopoly position, taking customers from
3 Indiana, Kentucky and Southern Illinois.

4 Our goal will be to take customers away from
5 them for Evansville. This map also shows the marketing
6 opportunity to capitalize on the very large Louisville
7 metropolitan area on the far right side of this circle
8 before other casinos open up. Detaching this market, we
9 have designed a large project I would like to tell you about
10 now.

11 Our projects will be a \$99.8 million
12 investment, excluding city incentives. It will consist of a
13 large riverboat and casino, a hotel, a 1,668 car parking
14 garage, a ticketing and entertainment pavilion, a docking
15 facility, and overall, we are trying to design it to have
16 the look and boat feel of an integrated land-based facility
17 with a floating casino. If you could pull that off, I think
18 that's the ideal model and combination for future riverboat
19 casino developments.

20 This is a rendering of the project. It will
21 be located in downtown Evansville, and not in a remote
22 location. This will be in downtown Evansville at the
23 intersection of Riverside Drive and Court Street at the
24 entrance of Dress Plaza. Boat site we have under option is
25 3.6 acres, which together with the 4.4 acres of riverfront

1 park, will give us an 8 acre resort complex. Between the
2 land we have under option and the the city controls, we have
3 our site completely under control.

4 As you can tell from this rendering I hope,
5 it has the look and feel of an integrated land-based resort
6 with the hotel adjoining and integrated with the floating
7 riverboat casino linked with a ticketing and entertainment
8 pavilion, a parking -- a parking garage and a connecting
9 skywalk. Did we lose the sound on this? Okay. For long
10 term customer satisfaction and higher and repeat business,
11 we think it is particularly important that the hotel is
12 adjacent to and connected with the riverboat facility, and
13 this project does that. Our architects Edmond Hafer of
14 Architects, Inc., and Urban Design Group, Inc., and other
15 professionals involved in this in fact, bring project are
16 here today and available for any questions.

17 Let me show the site plan of this project and
18 walk you through some of the project renderings to give a
19 better feel for what it is we're trying to achieve in terms
20 of creating this integrated land-based field, but coupled
21 with the casino it will float and it will cruise. Let's
22 pretend and assume -- do we have programs within sound
23 again? Well, okay. We'll try it again.

24 This is an area rendering of the site and how
25 the various components relate to each other. If we're a



1 customer arriving from the west down Riverfront Drive or
2 from the east, we'll go into the hotel here. Here's the
3 parking garage, park the car. If you're a hotel guest,
4 you'll come into the hotel, register, check in, get a room,
5 get freshened up, and now you want to go to the casino. So
6 into the hotel, back out, here's the crosswalk that comes
7 across through our ticketing and entertainment pavilion down
8 the walkway, here's our boat.

9 You will note that the entire birthing slip
10 is recessed into the shoreline completely out of the flow of
11 the channel during normal pool conditions. This facility is
12 intended to be part of a broader area of Evansville, which
13 is the Dress Plaza, Riverfront Park esplanade area. And you
14 can see there's a lot of consideration given to people
15 places and taking advantage of the frontage that we have on
16 the river there decree, a resort type environment with
17 things to do besides just be in the casino.

18 This is a view entering the city from the
19 west that would show the statement this project will make in
20 terms of a greeting with a hotel tower on boat left, our
21 ticketing entertainment pavilion on the right, here is the
22 river and a park area and the look and feel of esplanade
23 already being established as what is, at this end, the
24 entrance to Dress Plaza. Approaching this property from the
25 east, you will see this anchoring the downtown area as a new

1 and major architectural statement, and we think quite an
2 attractive one.

3 This hotel tower, we use a lot of the same
4 brick type architectural features that characterize the
5 Evansville downtown area and give it that particularly
6 unique and charming and creative look. Events Plaza will be
7 the drop off point. Here's a trolley that I think you
8 experienced on the way this morning, on the way over to this
9 auditorium that will have an opportunity to drop people off
10 at our Events Plaza area right adjacent to the ticketing and
11 entertainment pavilion. And then this is another shot that
12 shows how this integrates with the river, the bank, the
13 esplanade area, the Events Plaza area and drop off that I
14 mentioned, and heres our ticketing pavilion and
15 entertainment pavilion, and here's our hotel complex and
16 garage in the back.

17 Let me take you inside this pavilion to show
18 you the feel of it. This is going to be turn of the century
19 stuff. This is a similar feel of one of the pavilions that
20 was at the 1930 World Trade Fair in -- World Fair in New
21 York that gives that feeling of a high vaulted ceiling and
22 lots of colorful banners, lots of public space as you can
23 see for both ticketing as well as entertainment functions
24 such as food and beverage and lounge entertainment, retail
25 shops, and various other activities that will characterize



1 this great hall and this center of the ticketing area and
2 gaming pavilion.

3 The other major building is the hotel. This
4 is a lot better than even a lobby hotel. This is going to
5 be an up scale hotel. This is not a quick and dirty. This
6 is built to last, built to be successful and built to
7 attract more and more business. Hopefully, to be successful
8 enough that programs within day we can expand it. Overall,
9 as I mentioned earlier, this project is going to cost 99.8
10 million dollars. About two-thirds of that money will be
11 spent on land-based facilities. We are committed here for
12 the long term. These are not facilities that can pick up
13 and float away if the market conditions change in the
14 future.

15 I'd like to further describe programs within
16 of the projects key components in terms of what the modular
17 aspects of it are. The riverboat itself is \$17 million of
18 our project budget. It is a big boat. The original boat
19 that we contemplated at the beginning of the project in 1993
20 was smaller, but with the failure of the referendum in
21 employed in Clark Counties in November of 1993, we increased
22 the size to accommodate a larger market expected from the
23 Louisville metropolitan area during that window of
24 opportunity I spoke about earlier.

25 An important point to make here is that a



1 large boat and a spacious casino is important for two
2 reasons. First, to create a positive customer experience to
3 solidify Evansville initial market position, and secondly,
4 to accommodate the larger demand expected during the initial
5 periods. If the boat is too small, Indiana will lose
6 potential economic impact and we would lose a profit
7 opportunity. This boat, 310 feet long by 70 feet wide is
8 longer than a football field. It will carry 2,500
9 passengers and 300 crew. It will have a spacious 37,000
10 square foot casino. Over 1,800 gaming positions of which
11 1,250 will be slots and 70 will be table games.

12 The riverboat is being built in Indiana by
13 Jeff Boat in Jeffersonville. And some time ago there were
14 programs within pictures taken rather the map. This looks
15 like the landing of the boats that the Mayor described
16 earlier, but seriously, this work has been in progress since
17 March of last year when we placed an order with Jeff Boat to
18 build this boat for us. It is providing jobs and
19 opportunity right now to the Hoosiers of Indiana that live
20 in the Jeffersonville area. 78 percent of the workers on
21 this job are from Indiana. We also at this same ship yard
22 in fact are in the midst of completing a rehabilitation and
23 refurbishment of the boat that we intend to use in
24 Caruthersville, Missouri on that project that I mentioned
25 earlier that will open in April of this year. Major



1 commitment already to this area.

2 Our hotel has 250 rooms. Includes ten
3 suites, 24,000 square feet of meeting space, the restaurant
4 and the lounge, in a very up scale quality too. We will
5 create about 1,800 jobs from both direct and indirect
6 construction impacts. Programs within of which, as I
7 mentioned, have already been created in Jeffersonville. Our
8 contractor will be Industrial Contractors Inc. of
9 Evansville. It is a union contractor and this will be be a
10 union job. The owner of Industrial Contractors Inc. is here
11 today and is available for questions.

12 Whether or not we are awarded this gaming
13 license, our \$17 million boat currently in construction in
14 Jeffersonville will result from over \$30 million of direct
15 and indirect economic impact in Indiana. No other gaming
16 applicant has made this level of up front commitment to
17 Indiana. I would now like to turn to our marketing plan.
18 In order to make this project a success, we have prepared a
19 very detailed marketing plan submitted with our
20 application. Our plan features an overall marketing
21 strategy, details on casino, hotel and statewide marketing
22 programs, and a plan to spend \$12.7 million on marketing in
23 the first year, the highest of any applicant. I'd like to
24 highlight the key components of the plan outlined on this
25 slide, the details of which are in our submission.



1 First of all, our overall marketing strategy
2 will be to focus on regional and out of state tourists,
3 meetings and conventions, multimedia advertising, and
4 entertainment headliners and special effects. Special
5 emphasis will be placed on city and downtown merchant tie-in
6 programs. A special marketing plan has been written
7 specifically to promote the goods and services of Evansville
8 downtown merchants, and a marketing person will be hired
9 specifically to manage and implement that plan.

10 Our casino marketing plan will take advantage
11 of Aztar's unique multi-property capabilities. We will
12 utilize our proprietary databases, timings with our other
13 properties, special events and parties, and will develop a
14 casino player club similar to those which we have in our
15 other properties to focus on frequent, repeat customers and
16 develop our own customers database here in Evansville.

17 Our hotel marketing plan will utilize an 800
18 number reservation system and focus on developing tour and
19 travel networks from out of state source markets. Our plan
20 will concentrate on developing convention and meeting
21 businesses in conjunction with the Evansville Convention and
22 Visitors Bureau and other Evansville hotels about utilizing
23 our existing east coast and west coast sales offices in
24 addition to setting up a central sales office here in
25 Evansville. Our focus will be on both national and regional



1 trade shows and groups, because the gaming market's going to
2 attract those kinds of groups.

3 We will be a success in marketing hotel
4 rooms, not only for ourselves, but for other hotels in
5 Evansville as well, as I would like to show you at this
6 point. Right now Evansville has 2,500 hotel rooms. We will
7 add 250 rooms to that supply or about ten percent. Aztar
8 marketing on the other hand will generate over 200,000 room
9 nights in the first year of operation, of which our hotel
10 will absorbing about 78,000 room nights. That means that
11 other Evansville hotels will increase business by 122,000
12 room nights in the first year alone. That impact would
13 create an increase in the city-wide occupancy 13 points.

14 We know how to market and fill hotel rooms in
15 casino markets because we have 4,400 hotel rooms right now
16 in three highly competitive markets. Last year we ran all
17 of them at an average of 87 percent occupancy. In Atlantic
18 City alone often known only as a day-trip market, we ran our
19 thousand room hotel at a 92 percent occupancy rate. We will
20 be a positive impact on city-wide hotel business Evansville,
21 and other Evansville hotels will benefit from our being here
22 as well as a state-wide spillover.

23 Our marketing plan will be a state-wide
24 component and impact as we intend to help the Indianapolis
25 convention market by promoting to Indianapolis groups what



1 we call before and after the convention tie-in side trips to
2 the casino jurisdictions, and in this in fact, bring case,
3 the jurisdictions of Evansville. By inserting offers and
4 state-wide tour and travel packages, by featuring top name
5 headliner entertainment that will bring media attention to
6 Evansville as well as to all the Indiana, by targeting
7 census for business travelers to stop in Indiana for a
8 gaming experience and by especially promoting our land-based
9 resort facility as a unique attraction that all of Indiana
10 will be proud of. The result of our project design and our
11 marketing efforts and our years of experience will be the
12 generation of visitations to Evansville, reckonings in our
13 casino, and positive economic impact for Indiana.

14 I would now like to cover with you our
15 visitation and casino revenue projections. I'd like to
16 start with our methodology, identify our projections, and
17 end up with a comparison to other projections made by
18 professionals in the business. Our overall project size
19 coupled with our marketing plan and our years of experience
20 will result in higher visitor casino revenue projections
21 than either of the other applicants, resulting in higher
22 economic impact for Evansville and for Indiana.

23 Our methodology of projection is very
24 detailed and starts with an analysis of every county within
25 a hundred miles of Evansville. We look at distance to and



1 access to Aztar's casino. We look at it on a
2 county-by-county basis, the distance to and access to the
3 casino. From this we quantify a propensity to gamble on the
4 part of residents of that county. We quantify frequency of
5 visitation expectations. We develop a win per trip
6 assumption, and then we combine it all on a county-by-county
7 basis with visitors trying to link their per trip
8 calculation that will yield the expected casino revenue to
9 be derived from each and every one of those counties.

10 We sum it all up, crank it into a computer
11 and develop the strategies that create total visitor and
12 casino revenue expectation for our first year of operation.
13 And what that says is that in year one, before any
14 competition sets in for the Louisville market, we are
15 projecting 2.3 million visitors to Evansville who will
16 generate \$130 million of casino revenue.

17 We compared our projections to independent
18 projections done by Economic Research Associates, a company
19 we hired to give us an independent look at the market as
20 well as to projections done by Smith Barney and by Solomon
21 Brothers. Investment bankers are very familiar with the
22 riverboat casino industry. What the comparisons show is
23 that the other independent analysts are projecting visitor
24 numbers even higher than ours.

25 If they are right, we will have casino



1 revenues even higher than we projected in our application to
2 you. In fact, casino revenue could be significantly higher
3 than the \$138 million we have projected, reaching as high as
4 \$192 million according to Solomon Brothers. The important
5 point is this. If the demand is in fact higher, our project
6 and our large boat will have the capacity to handle it,
7 whereas a smaller project and boat would not. In other
8 words, the potential maximum economic impact for Indiana
9 depends on the projects and the boat's ability to handle the
10 increased demand, and Aztar's project and boat is in the
11 best position to do so. If the increased demand is not
12 there, and the boat is too large, then our customers will
13 have a gracious and spacious experience, and Aztar will have
14 overinvested in Indiana.

15 On the other hand, if the increase demand is
16 there and an operators boat is too small, then Indiana will
17 have missed an opportunity to increase the overall economic
18 impact from the Evansville casino. We think the demand will
19 be there, and we are prepared to deliver the results for
20 ourselves and for Indiana. I will now turn the podium over
21 to Lestor Brzozowski who will describe our operating plan
22 and our safety and security program.

23 MR. BROZOZWSKI: I'm Lester
24 Brzozwski. I will be responsible for the operation of
25 Aztar's project in Evansville, but first I'd like to give



1 you a little personal background on myself. I was born in
2 Brooklyn, New York near Laflish Avenue, which explains my
3 accent. I have BS in accounting and a MB from Ruckford
4 University. I've been with Aztar 12 years and I hope to be
5 with Aztar another twelve years. I spent 11 years in
6 Atlantic City in various positions.

7 I'd like to start by telling you about our
8 operating plans. Based on our experience with similar large
9 casino properties, our projections indicate the need for
10 1,400 hundred full-time equivalent positions. When
11 part-time position are factored in, that translates it to
12 1,750 jobs. In our business, the interpersonal contacts
13 that our patrons have with our staff are very, very
14 important. The quality of contacts between patron and --
15 partrons and employees can make the difference between
16 someone having a wonderful fun visit and one that is just
17 so-so.

18 Aztar's Evansville casino will employee
19 individuals who possess the Aztar five star employee
20 qualities that we believe are essential to the success of
21 the casino. A bright smile, a friendly greeting, an
22 outgoing personality, a team commitment, and a dedication to
23 customer service. Aztar's hiring and training processes
24 have been careful developed to identify these qualities to
25 potential employees, and to develop these qualities after

1 they are hired.

2 Aztar will offer competitive wage eventative
3 packages to its Evansville employees. Benefits will include
4 participation in the Aztar employees stock openership and
5 401 K Savings plans. Promotion from the bend is an
6 operating principal at Aztar. We will work closely with
7 local education and training institutions to ensure that
8 training is directed towards new employees and employees
9 seeking skills required for management positions. Aztar is
10 committed to providing a safe environment for its guests and
11 its employees. The issue of employee safety in the
12 workplace will be handled by a safety committee, the
13 function of which will be to raise safety consciousness,
14 provide safe training and education, and provide guidance of
15 accident prevention policy.

16 We have set an intent to exceed aggressive
17 goals while hiring Indiana residents as well as minorities
18 and women. Every effort will be made to hire and retain
19 Hoosiers at every level in the casino. Hotel and food and
20 beverage department positions will be staffed by Indiana
21 residents. Aztar's initial staffing in the casino will of
22 necessity include skilled casino supervisors and specialists
23 from outside the state, but we expect that in a very short
24 time, a great majority of casino personnel will be Indiana
25 residents.

1 We are committed to having 90 percent of our
2 Evansville employees be residents of Vanderburgh county in
3 the first year of operations, with ten percent of all
4 employees being minorities and approximately half being
5 female. We have set further goals of achieving at adequate
6 representation of minorities and females in our management
7 ranks as the property develops and matures, very similar to
8 all of our other operations. Our commitment to employee
9 equity was evidenced in this in fact, bring statement from
10 Mayor Rick Davis of Caruthersville, Missouri where we are
11 developing a casino riverboat property.

12 Aztar has established a respective employee
13 training program with preference to local citizens. They
14 have followed through the determined effort to hire local
15 residents minorities and female employees. This corporation
16 has proven to be a very community orientated group. The
17 city of Caruthersville is totally satisfied with Aztar
18 Corporations operation and its presence in our community.
19 We keep our promises. Aztar Evansville Purchasing
20 Department will establish policies and goals relating to the
21 use of Indiana vendors. Our goal will be to award at least
22 15 percent of contracts for materials and services to
23 qualified businesses owned by women and/or minorities. We
24 will work with these organizations to help them qualify to
25 be vendors. In fact we currently have over 280 responses



1 for vendors throughout the state that are currently
2 interested in supplying their goods and services to our
3 casino in Evansville.

4 Aztar has always been concerned about boat
5 issue of problem gambling. In Evansville, we will support
6 programs aimed at prevented gambling abuse. In-house
7 telephone assistant numbers will be advertised throughout
8 the property. External adverosements will feature a gambling
9 assistant's telephone number. The names of customers with
10 gambling addiction problems will be deleted from mailing and
11 marketing lists. Information packets about gambling
12 addiction and treatment programs will be made available
13 throughout the facilities. Aztar will actively enforce
14 underage gambling and drinking prevention programs,
15 patterning the program after Aztar's Project 21 program in
16 Atlantic City.

17 Training will be conducted to ensure that all
18 employees are aware of their responsibilities in preventing
19 and prohibiting minors from gambling and drinking. Casino
20 employees will work with education officials as they do in
21 Project 21 in Atlantic City. Underage violators will be
22 reported to local officials for remedial action. In
23 Evansville, as in our other properties, Aztar will quickly
24 become a citizen of the community. Senior managers will be
25 encouraged to join boards of local civic service and



1 cultural organizations.

2 The civic and charitable volunteer activities
3 of ranking file employees will also be supported by
4 management. Aztar will be diligent about the security and
5 safety of guests and employees. Sophisticated camera
6 equipment will monitor the exterior and interior of the
7 Aztar facilities. We will have staff security and
8 surveillance departments in Evansville. Our management in
9 Evansville will work in full cooperation with local law
10 enforcement agencies to ensure a safe and secure experience
11 for the tourists and residents.

12 Lastly, let me turn to the issue of marine
13 safety. We are unequivocally committed to the making -- to
14 making the operation of the gaming vessel as safe as it can
15 possibly be. In that regard, we reviewed our docking plans
16 with the Ohio river Ice Committee. The Ice Committee
17 consists of representatives of the marina owners on the
18 river. We have met with the Ice Committee on several
19 occasions and have significantly modified our docking plans
20 in accordance with their suggestions. We have received this
21 letter indicating that the Ice Committee is satisfied with
22 our current docking plans.

23 I, and other members of the Ohio river Ice
24 Committee have reviewed the latest site plan for running of
25 the Evansville bend site. The latest drawing of the site



1 meets the criteria upon which the Ice Committee agreed.
2 Based on the latest drawing and the conditions set forth in
3 Mr. Edward Reeses' letter on November 21, 1994, the Ice
4 Committee has no further objections to your plan. This
5 letter is signed by David E. Dewey, chairman of the Ohio
6 river Ice Committee.

7 We've also retained three marine consultants
8 to ensure the safety of our operations. American Commercial
9 Barge Line will provide data and expertise with regard to
10 barge operations on the Ohio river. American Commercial
11 Barge Line is the largest operator of inland waterway
12 vessels in the United States with 84 years operating
13 experience. Horn Blower Marine Service will assist us in
14 the actual operation of the vessel. Horn Blower will help
15 us in the screening and training of the crew with
16 development and implementation of the safety plan in
17 compliance with the regulations of all agencies, including
18 the Coast Guard and the Corp of Engineers. Horn Blower will
19 also be conducting ongoing reviews of our marine
20 operations. Horn Blower currently operates 22 vessels and
21 employs 600 people. And we have retained Mercer Management
22 Consults to make a marine risk assessment. Mercer is one of
23 the country's preeminent firms performing maritime risk
24 analysis. In a moment, I would like to have Captain Biff
25 Holt from Mercer talk to you about the result of their



1 assessment.

2 Let me say in closing that we will operate
3 the Evansville casino riverboat facilities with the highest
4 standards of employment equity and fairness in purchasing.
5 We have a strong commitment to being Hoosier all the way as
6 soon as possible in our employment. And we promise to make
7 our facilities and our operations as safe and secure as we
8 can from the parking lot to the boat. Now, I would like to
9 ask Captain Holt of Mercer Management Consultants to come
10 forward.

11 CAPTAIN HOLT: Thank you. I am
12 William Holt. I am a retired captain of the Coast Guard and
13 I am currently a partner in the management consulting firm
14 of Mercer Management Consulting. We were commissioned by
15 Aztar to conduct a safety analysis and risk assessment of
16 their plan riverboat mooring site in both operations. The
17 picture that you see here on the slide is a schematic
18 drawing of the Aztar mooring site for the riverboat. Mr.
19 Rubeli has already talked about the recessed nature of that
20 site, and I will refer back to that again a little bit later
21 on.

22 To tell you a bit about Mercer, we're one of
23 the largest management consulting firms in the country with
24 a world renowned on transportation industry component and a
25 specialized practice in marine safety and environmental



1 protection. I head that marine safety and environmental
2 protection practice at Mercer, and I manage this project.

3 My personal background includes a 24-year
4 career in the Coast Guard. One of my last assignments was,
5 as the head of the Coast Guard in this marine environmental
6 protection program. Previously, I also had the pleasure of
7 serving on the Ohio river as the captain of the Emporium in
8 Huntington, West Virginia. My entire professional career
9 has revolved around marine safety and environmental
10 protection and all the facets of those two important
11 disciplines.

12 In this risk assessment, we evaluated Aztar's
13 proposed site from the prospective of protection of the
14 riverboat from passing tows, as well the potential impact of
15 the mooring site on tows that will be operating through
16 Evansville area. We also evaluated Aztar's proposed
17 riverboat operations to determine the risk of those
18 operations. Now, this slide doesn't show it very clearly,
19 but this is a chart of the Ohio river in Evansville, and I'm
20 not sure I'll be able to point it out because it probably is
21 to far away. But that's about the proposed site. That's at
22 mile 793, which will bear on my presentation in a moment,
23 and then mile 792 is right about there.

24 So the area around the bend is the area that
25 I'm principally going to be talking about. We conducted a



1 risk assessment of operating in the gaming boat in
2 Evansville using both quantitative and qualitative
3 elements. We analyzed the Coast Guard and the Corp of
4 Engineers' data, and we interviewed a variety of river users
5 to capture information on the entire array of potential
6 issues and concerns.

7 One of the things that we wanted to do was to
8 look beyond boat antidotal to the factual. Our assessment
9 concluded that three factors in Aztar's proposed act to
10 ensure a safe operating environment for the riverboat. The
11 design of the mooring site, the Gaming Commission proposed
12 rules on boat operations, and it well conceived the
13 riverboat operating plan. Regarding the mooring site, as
14 was mentioned previously, it is designed so that it is
15 recessed into the river bank optimizations. In other words,
16 the design is such that the boat is protected and well clear
17 of the path of towboats operating through Evansville.

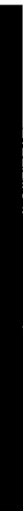
18 Second, we found that the Gaming Commission
19 proposed rule authorizing the master to determine when to
20 get underway without sacrificing casino operations is an
21 important element in ensuring an appropriate margin of
22 safety for riverboat operations in Evansville. Third, a
23 carefully conceived operating plan for the both will
24 increase safety. As a result of our study, Aztar will
25 implement programs within specific operating principals to



1 ensure safety for the boat. The master will monitor the
2 radio dockside while passengers are aboard. Corp of
3 Engineers locks both up river and down river of Evansville
4 will be called to determine the location of any tows that
5 are making their way for Evansville. The master will keep
6 in contact with these tow boats so we can determine their
7 location and their speed of advance. And finally, the
8 master will plot the locations of these tows regularly
9 before getting underway to know where they're at.

10 During our study, we found that the area
11 between mile 792 and 793 was of particular concern to
12 towboat operators. And to put that in prospective, it's
13 about a quarter mile downstream to about three quarters of a
14 mile upstream of Aztar's site. The concern principally is
15 the risk of having a towboat with barges maneuvering around
16 the Evansville bend with a riverboat operating in the same
17 area at the same time.

18 Again, we recommended, and Aztar has agreed
19 to implement the operating constraints that we believe will
20 eliminate that risk. First, the riverboat will not get
21 underway if the tow will be between mile 792 and 793 during
22 unmooring until the tow has safely passed. Second, the
23 master will adjust the speed of the boat to avoid meeting,
24 passing, or overtaking a tow between these two mile posts.
25 And third, the boat will not attempt to dock if a tow will



1 be in that area, again until the tow has safely passed.

2 Now, we are currently finalizing our report
3 that resulted from this risk assessment, and it will be made
4 available to the Gaming Commission as well as to other
5 regulatory agencies, such as the Corp of Engineers and the
6 Coast Guard. But to summarize, we believe that recessing
7 and protecting the mooring sight, implementing the proposed
8 Gaming Commission rules and establishing the operating
9 procedures that we have proposed, work together to optimize
10 a safe operation of Aztar's riverboat. Thank you.

11 MR. HADDOCK: Good morning, ladies
12 and gentlemen. My name's Robert Haddock, and I'm the
13 executive vice president and chief financial officer of
14 Aztar. By way of personal background, I was raised in
15 Strafford, Pennsylvania. I went to college in New York City
16 Ford University where I obtained by bachelor's degree in
17 English. I also have degrees of the law in JD, and have a
18 master in business administration from Stanford University.
19 I'm married. I have three children, youngest of which is
20 six years old. I've lived in Arizona for 16 years where
21 Aztar is headquartered, and I have been with Aztar for 14
22 years.

23 My presentation this morning will cover the
24 following. As programs within of Aztar's financial
25 highlights, the status of the financing for Aztar's



1 Evansville project, programs within brief comments on the
2 endorsement of Aztar by boat city of Evansville, and then
3 lastly of economic impact of the Aztar project. Aztar is a
4 significant company with assets of \$883 million. Almost 750
5 million of that amount are fixed assets, property, plant
6 equipment, and land. The nature and the size of those
7 assets give Aztar stability and staying power. During the
8 last fiscal 12 months, the company had revenues in excess of
9 a half a billion dollars, operated cash flow was \$112
10 million, and that cash generated was seven million.

11 This depicts the company's operating cash
12 flow over the last five years. As you can see, there has
13 been a consistent trend of substantially increasing cash
14 flow, and this financial performance has given Aztar
15 excellent access to capital. This illustrates the company's
16 history of financing since 1989. We have been able to
17 obtain infusions of capital when we have needed it and good
18 markets and in bad. I might add that these amounts are not
19 additive to our certain of these financings that were known
20 to replace existing financings, but this is indicative of
21 our ability to access capital in the markets.

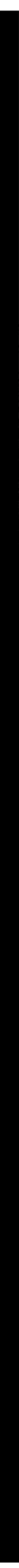
22 I would like to draw your attention to the
23 last financing in particular, the \$280 million revolving
24 credit facility. This credit facility provides the source
25 of funds for boat construction of Aztar's Evansville



1 project. The \$280 million credit facility was provided for
2 Aztar by Bank of America, Bankers Trust, and other major
3 banks in the United States. Aztar can draw on this credit
4 facility when needed. \$115 million of the credit facility
5 has specifically been pre-approved for the Evansville
6 project. In other words, Aztar can draw a hundred and
7 fifteen million for Evansville without any further approvals
8 from the bank. Aztar's financing for this project is done.
9 If we had our license tomorrow, we could begin to draw
10 against this facility and build this project.

11 At the request of the city of Evansville, we
12 have also arranged an additional \$13.4 million letter of
13 credit to secure Aztar's obligations to make certain
14 charitable and civic contributions. This letter of credit
15 was issued by National City Bank of Evansville. Boat
16 representatives of National City Bank, Bank of America, both
17 are here to -- in the audience to answer any questions that
18 you may have. Also present are representatives of Solomon
19 Brothers, Aztar's leading investment bank, and Cooper's of
20 Widebran, which has for many years been Aztar's independent
21 accountants.

22 Aztar and its proposed project have been
23 endorsed by the city of Evansville. Let me say briefly from
24 an applicant's point of view, that the evaluation conducted
25 by the city was tough. Boat process started in September



1 1993, with a response to a request for proposals. In
2 October, each applicant briefly presented his proposal to
3 the public at a press conference. In February 1994, each
4 applicant made a day long presentation to a 21 person
5 evaluation committee.

6 In March, the Committee issued a request for
7 enhancement to the original proposals, and once again, all
8 operators presented to the Evaluation Committee, a half day
9 each this time. In April, the Evaluation Committee voted to
10 select the top three applicants for additional
11 negotiations. Aztar was ranked number one, Player's, number
12 three, and Goldstrike/Evansville, number six. Over 75
13 percent of the Evaluation Committee ranked Aztar number one
14 or number two.

15 The city then commenced negotiations with the
16 top three applicants. There were two rounds of formal
17 negotiations, after which Aztar was asked to negotiate a
18 project agreement with the city, which we did in June 1994.
19 Representatives of the city will describe our meeting with
20 them in detail tomorrow, I believe. But let me briefly
21 touch upon some of the main points. We'll be making civic
22 and charitable contributions in the minimum amount of \$13.4
23 million. We will also be making lease payments to the
24 city. During the first five years we estimate these
25 payments to be almost \$15 million, and they will increase



1 over time. We have agreed to make significant penalty
2 payments to the city if our project is delayed. And we have
3 agreed not to compete with our own project here in
4 Evansville within a hundred mile radius. This provision
5 assured that a competing project possibly in another state
6 will not siphon off taxes or economic impact from the state
7 of Indiana.

8 Now, I'd like to talk about economic impact.
9 Aztar commissioned a study by the Economics Research
10 Associates, which has been a consultant to gaming related
11 plans since 1966. ERA has excellent credentials. They've
12 recently completed a gaming impact study for the state of
13 West Virginia. The ERA's study of Aztar's Evansville
14 project indicates that there will be a direct annual
15 economic impact of \$140 million.

16 The ERA also found that there would be an
17 additional indirect impact of \$44 million. Indirect impact
18 occurs when those who benefit from gaming operations, such
19 as employees spending money in the committee, which in turn
20 generates additional compounds for good services and jobs.
21 Adding the indirect and the direct impacts together. ERA
22 found that there will be an annual economic impact of \$185
23 million of Aztar's project. The ERA also found that Aztar's
24 project will have positive impact on the hotel market in
25 Evansville, generating significant new room night demands



1 for Evansville's existing hotels. A recent study by the
2 Cooper's and Widebran hospitality consulting group came to a
3 similar conclusion. These two independent studies validate
4 our own view that the Aztar project will be very good for
5 the future of the Evansville hotel market. The people from
6 ERA and from the Cooper's and Widebran hospitality group are
7 here to answer questions you may have about their
8 financing.

9 Do know there are a lot of theories and
10 formulas involved in making projections of economic impact,
11 and speaking for myself, I -- frankly, I don't always
12 understand what they're about. But putting the consultants
13 and their formulas aside, it seems to me that common sense
14 should be able to lead one to understand which project will
15 have the greatest economic impact. I believe it comes down
16 this these five points. First, size of the initial capital
17 investment of the project. I think it is clear that Aztar's
18 project has the highest level of initial investment.

19 Second, the level of casino revenue and
20 taxes. It seems that Aztar's is number one in this category
21 as well, which makes sense given the the size of our
22 project, the existed presence of the new hotel in the
23 project, and the overall quality of the project. Number of
24 jobs created. We're tops at that category as well. It's
25 the most important factor obviously.

1 Future investment. This is a factor that
2 cannot be captured by anybody's economic studies. What we
3 can say here is that Aztar has a proven track record of
4 expanding each and every property it operates, and those
5 expansions provide additional revenues, additional taxes,
6 and additional jobs.

7 Lastly, project timing is obviously a factor,
8 although it only comes into play in the short term. The
9 construction schedule for Aztar's permanent project is
10 approximately 12 months. That is when everything will be up
11 and operating, including the hotel, the permanent docking
12 and the ticketing and entertainment pavilion. But we think
13 it is very important to commence gaming operations as soon
14 as possible. Every day delay means lost economic impact for
15 the state of Indiana, and a loss of cash flow for us. So we
16 have plans to get into casino operations as quickly as
17 possible at a temporary site.

18 Aztar's riverboat fully loaded with gaming
19 equipment can be in Evansville on June 22 of this year
20 according to the latest schedule we have received from Jeff
21 Boat. We would like to start gaming as soon thereafter as
22 possible. We have entered into a contract with American
23 Commercial Marine Service Company to lease their current
24 facility in Evansville for our temporary docking. Their
25 site is near the mouth of Pigeon Creek, which is slightly



1 down river from our permanent site. We have also entered --
2 entered into agreements with nearby property owners to lease
3 land for temporary parking. These agreements give us the
4 ability to park a thousand cars. And we have plans for
5 temporary patron facilities of approximately 11,000 square
6 feet capable of handling 1,500 people at a time.

7 We will diligently pursue a Corp of
8 Engineering permit that will let us use these temporary
9 facilities. We are hopeful that the approval process with
10 the Corp will be expedited by the fact that American
11 Commercial Marine Services already has a fleeting permit
12 from the Corp for the site.

13 In closing, let me assure you that we will be
14 working very, very hard to get this project up and running
15 at the earliest possible date. And we believe we have the
16 confidence and capability to do that. Now, Paul Rubeli
17 would like to make programs within final comments. Thank
18 you very much.

19 MR. RUBELI: I wanted to try to
20 draw programs within summary conclusion as to why Aztar for
21 Evansville. We have the largest boat, therefore the largest
22 revenue potential for the city. We are making the largest
23 total investment initially. We have a terrific track record
24 of continuing investments in the communities that we operate
25 in. Our project is financed. We're very experienced in the



1 competitive major casino market in this in fact, bring
2 country. We have resources for marketing to tourists at the
3 conventions. We have an outstanding record of women and
4 minority hiring and purchasing, a strong community and
5 investment track record, an excellent reputation for
6 business and financial integrity.

7 We have the capability for the greatest
8 economic impact in more ways than those that are covered by
9 the IUPUI study and we hope we shared some of those thoughts
10 with you today. And last, and I do think perhaps the most
11 important of all, I assure you that you have the commitment
12 of the top management of this company. We have worked very
13 hard on this project because this project is very, very
14 important to this company. There is no single other project
15 of the magnitude or the significance of this company as this
16 project has been to us that has happened over the past five
17 years.

18 As a consequence, this management is
19 committed. And I stand before you as the chairman and CEO
20 of this company to make that representation to you. I
21 participated in this in fact, bring presentation to be able
22 to stress to you how important this project is to us, to
23 assure you of how seriously we take your role in your
24 evaluation of the prospective applicants before you, and to
25 tell you how much we want to do this project. There are



1 inevitably issues that will come up. There are inevitably
2 problems that will arise. There are always things that go
3 wrong, and we've seen that already in the year and a half
4 we've been working on this.

5 We have the capability, we have the
6 resources, and most importantly, I will tell you we have a
7 commitment to do whatever has to be done to make this
8 project successful. We are ready to go on this project. We
9 have worked hard for a year and a half, and we've already
10 accomplished a lot. We have a site. We have a site under
11 our control. We have a project that's financed. We have a
12 boat that's almost ready. We have zoning approvals that
13 have already been obtained. We have environmental
14 assessment studies that have already been conducted.

15 We have a marine risk assessment studies that
16 have already been conducted. We have traffic impact studies
17 that have already been conducted. We have an organization
18 that is raring to take off and make this project happen for
19 Evansville and for Indiana. I said at the outset that I
20 believe in Indiana because it has a good gaming law, and
21 because it had an outstanding regulatory tone. I also said
22 at the outset that we like Evansville because it has a great
23 market and we think it's a great community.

24 I will also tell you I believe in Aztar and
25 our ability to get this job done for you, and hopefully,



1 with your support, with your selection, and ultimately with
2 your choice to license us as the applicants that stand
3 before you, we will have the privilege of proving that to
4 you. I thank you for your consideration, and we appreciate
5 this opportunity to have been able to come before the seven
6 of you. Thank you very much.

7 MR. CHAIRMAN: Well, thank you for
8 your presentation. This is just the start of making our job
9 much more difficult, but we certainly appreciate it. It was
10 most informative. And now we're scheduled to take a 15
11 minute break and we will come back then and maybe propose a
12 few questions of the Aztar people.

13 (Thereupon, a break was taken;
14 after which, the proceedings
15 continued as follows:)

16 MR. CHAIRMAN: All right. Ladies
17 and gentlemen, can we come back to order, please. As I've
18 said before, the Commission will now be posing programs
19 within questions, and for the sake of the record we ask if
20 the Aztar people can just briefly state their name if
21 they're responding to the questions, and whoever wants
22 respond can respond as long as we keep the record clear.
23 The questions probably won't be posed in to particular
24 person. All we want is the information. I've got a couple
25 of brain questions just to start off.

QUESTION AND ANSWER SESSION

THE CHAIRMAN: The gentleman from the Coast Guard I guess, you say between the mile marker 792 and 793, and your proposed plan to both would not start it up nor would it be turned while the barge traffic is in that area. How long does it take to reverse ordinarily that span?

CAPTAIN HOLT: Of course, so much depends on the speed that the tow might be making, but generally about ten to 12 minutes.

MR. CHAIRMAN: Oh, okay. Because it occurred to me that it was a long period of time. We really would have a problem about the boat leaving and also returning. I mean is -- is -- there is really no control of the barge traffic on the Ohio river at this point. I mean, there's nobody who is stopping and going the traffic. It just depends upon how they come out the locks at either end.

CAPTAIN HOLT: Yes, sir. That's generally correct. There's no external controls on the traffic, but the riverboat pilots communicate with each other and know the location of each other and will try to control the speed of the tow to the extent that they can to



1 ensure that there is no passing situation in a place where
2 it might be dangerous.

3 MR. CHAIRMAN: And after the boat
4 would get out of the -- or would not be in the 792, 793
5 area, usually the river is at that point large enough and
6 capable of having them both cruise without really
7 interfering with traffic.

8 CAPTAIN HOLT: Okay. One of the
9 most important elements of the area just beyond that is that
10 there are places where the boat dock in very quickly if it
11 were to encounter tow, but our research showed that there
12 are ample situations where tows meet and pass outside those
13 areas, and this boat is smaller than another tow.

14 MR. CHAIRMAN: Do you envision --
15 and these are all hypothetical, obviously -- that the boat
16 might get out there and get caught in traffic to the extent
17 that it couldn't get back for a considerable period of time?

18 CAPTAIN HOLT: It's very difficult
19 to engage in hypotheticals. I cannot see that happening.

20 MR. CHAIRMAN: You are familiar
21 with the quantity of traffic in this in fact, bring
22 particular area.

23 CAPTAIN HOLT: Yes, sir.

24 MR. CHAIRMAN: Okay. Then to
25 dramatically change the subject, how much space do you have

1 on your boat for dining or for other activities other than
2 active gambling? Do you have any idea? I saw a small
3 snackbar area on deck, but -- and I wondered, are there open
4 areas? It didn't look like there was much open area on your
5 boat.

6 MR. RUBELI: We have 37,000 square
7 feet of casino as we mentioned. The dining consist of 3,100
8 square feet, and the rhetoric would be 1,400 hundred square
9 feet. So all totaled, almost 4,500 hundred square feet on
10 the vessel for dining, and of course our entertainment
11 pavilion itself has large food and beverage operation all
12 through it.

13 MR. CHAIRMAN: Well, I'm
14 particularly interested in seeing that there are areas that
15 people who wish to gamble for a while but then quit for a
16 while or their luck turns and comes back, or whatever they
17 hope to have happen have an area to go and just sort of
18 relax and contemplate their next move.

19 MR. RUBELI: On the third deck
20 there actually is a space set aside, a large open space,
21 that we envision to be very useful for that purpose, and it
22 may take on the maintains of break room in the afternoon,
23 and it may be a place where magazines might be. We
24 certainly envision that to be a place where receptions and
25 hoer'derves might be held for convention groups that are



1 staying in town. So we set aside, actually adjacent to the
2 casino space up on the third deck, a fairly large square
3 footage that is, at this point, a very flexible and
4 undesignated space.

5 MR. CHAIRMAN: Does anybody want
6 to --

7 COMMISSIONER: The gentlemen
8 formerly with the Coast. Sir, you are with Mercer
9 Consultants; is that correct.

10 CAPTAIN HOLT: Yes. Mercer
11 Management and consulting, and I'm retired.

12 COMMISSIONER: The reason -- I
13 guess that incident that occurred the river where the barges
14 had broken loose. Are you familiar with that.

15 CAPTAIN HOLT: Yes, sir, I am.

16 COMMISSIONER: And do you -- do
17 know at what mile marker that those barges collided with the
18 docking of the riverbank?

19 CAPTAIN HOLT: It was -- I don't
20 know precisely the mile point of that, but it was
21 significantly downstream from the mile 793.

22 COMMISSIONER: All right. The -- I
23 believe the -- you're earlier statements were that boat
24 danger site was between mile marker 792 and 793; is that
25 correct?



1 CAPTAIN HOLT: Yes, sir.

2 COMMISSIONER: I'm looking at a map
3 that shows that the Pigeon Creek mouth is approximately at
4 mile marker 793. My question is from what we heard a little
5 while ago, that the temporary docking would be somewhere
6 near the mouth of -- at Pigeon Creek. Now, can you tell me
7 -- doesn't that conflict with what you said earlier about
8 that being the danger zone? Isn't that where the temporary
9 docking would be?

10 CAPTAIN HOLT: My understanding of
11 the temporary site, sir, is that it is in an existing area
12 of barge activity, so there is a significant amount of local
13 activity that takes place there already that passing tows
14 have to avoid. Additionally, just up river from that site
15 is an existing fleeting area that actually acts as a --
16 somewhat of a buffer. It would protect the boat from
17 passing tows.

18 MR. RUBELI: If I could follow-up
19 on that answer, too, Mr. Vowels, marker 793 is up river from
20 the Pigeon Creek mouth as it enters in the Ohio. The
21 proposed site is down river from the mouth, so it's several
22 hundreds of yards downstream from 793, and therefore,
23 outside that zone that has been much talked about so far.

24 COMMISSIONER: Well, the temporary
25 docking site would be Pigeon Creek's mouth. How close is it



1 to that area?

2 MR. RUBELI: It is downstream from
3 that, maybe a few hundred yards? Bob, do you or Lester have
4 a -- 200 feet, I'm sorry. Downstream from that mouth of
5 Pigeon Creek. 200 hundred feet is what the property line is
6 and that's where the existing fleeting activities are going
7 on.

8 COMMISSIONER: And sir, again, it
9 was your opinion that that's -- that's a safe haven as far
10 as temporary docking from barges?

11 CAPTAIN HOLT: Yes, sir, with the
12 addition of some pilings that will be put in, I understand,
13 to protect the outside side of the boat.

14 COMMISSIONER: What was your name
15 again.

16 CAPTAIN HOLT: William Holt.

17 COMMISSIONER: Holt, yes. Mr.
18 Holt, let me ask you about this, about your consulting for
19 Aztar. Did Aztar ask you to evaluate the proposed docking
20 site regarding the safety, or did you evaluate all the sites
21 and recommend that site as the best?

22 CAPTAIN HOLT: No. They asked us
23 to evaluate their site.

24 COMMISSIONER: How quickly could a
25 reaction occur, as far as loose barges traveling down river,



1 for the boat to be out of danger?

2 CAPTAIN HOLT: Well, the nearest
3 fleeting area is about mile 788 I believe, which is about
4 five or six miles up river from Evansville from the location
5 of the mooring site.

6 COMMISSIONER: When you say
7 fleeting area what do you mean.

8 CAPTAIN HOLT: That -- that's an
9 area where barges are held, temporarily waiting to be picked
10 up by other tows, or put their while they're being loaded.
11 They are permitted by the Army Corp of Engineers to allow a
12 large number, a fixed number of barges to be temporarily
13 moored there. The -- when a breakaway occurs, of course the
14 -- the speed of advance of the barge would be dependent on
15 the current, so at low water conditions, the barges would
16 move very, very slow indeed. At a high water condition, the
17 barges would move as the current moves. So again, it's
18 difficult to say how quickly it would move, but depending on
19 the conditions, it's about a five mile stretch that they
20 will have to travel.

21 COMMISSIONER: I just want to ask
22 you one last question. As a consultant you were paid for by
23 Aztar, for your opinion; is that correct?

24 CAPTAIN HOLT: That is correct.

25 COMMISSIONER: I don't have any



1 other questions.

2 MR. CHAIRMAN: All right, next.

3 COMMISSIONER: I have a few
4 questions. If -- if I got it correctly, you said that there
5 are 2.5 million people within a hundred mile radius of
6 Evansville.

7 MR. RUBELI: Yes.

8 COMMISSIONER: There's quite a
9 disparity between your figures, your attendance projection
10 and those of the other applicants. In the first year, you
11 predict about 2.2, 2.3 million people coming to the boat,
12 and I assume there's programs within duplication of people
13 in there.

14 MR. RUBELI: Yes, that's
15 visitations.

16 COMMISSIONER: Okay. That would be
17 visitations. But that's -- that's at the high end, the
18 average for all Evansville applicants we have for annual
19 attendance is 1.5 million people. Could you operate
20 successfully and profitably if you would only get, let's say
21 1.5 million people to come if your projections are not
22 correct, since they are so far above everybody else's?

23 MR. RUBELI: The answer to your
24 question is, yes, we -- we -- we can. In fact, an important
25 point you should know is our projections are over a five

1 year period. We're speaking about the larger numbers
2 occurring not only in the first year or two when Evansville
3 will have a monopoly from Southern Indiana, and therefore
4 has access to that very large Louisville metropolitan area.
5 Our own projections anticipate that our presentations will
6 fall back to around a million six in the year three, which
7 means that we're obviously prepared to run our operation
8 successfully in a million six as well.

9 COMMISSIONER: If you get those
10 lower numbers, would the boat then appear empty? I -- you
11 talk about being comfortable, but perhaps it would be too
12 comfortable.

13 MR. RUBELI: Well, and there --
14 therein lies the wonderful flexibility of a boat like this
15 that you would then designate just decks one and two to be
16 your casino. And the very deck that we were speaking about
17 that I mentioned earlier, for no other than the gaming
18 purposes.

19 COMMISSIONER: Okay. And how many
20 rooms -- could you remind me would your hotel have.

21 MR. RUBELI: 250.

22 COMMISSIONER: And you would feel
23 that -- what kind of occupancy would you feel you would be
24 able to have in that over an extended period of time?

25 MR. RUBELI: We're projecting 85



1 percent in year one.

2 COMMISSIONER: And what about year
3 five?

4 MR. RUBELI: It runs in that same
5 range. It stays from 85 to -- I think it was 85 to 87,
6 something in that range.

7 COMMISSIONER: Okay.

8 MR. RUBELI: As I said in my
9 presentation we -- we manage 4,400 rooms, and last year we
10 ran them all on an average of 87 percent occupancy.

11 COMMISSIONER: I assume, given
12 these large numbers that you really are projecting to
13 attract people from farther away than a hundred mile
14 radius. Would that be a correct assumption?

15 MR. RUBELI: Yeah, the fact that if
16 certainly the quarter market is that market which exist
17 within a hundred miles, but there is a significant component
18 that exists beyond a hundred miles, which in particular
19 because we have a large facility adjacent to that boat
20 will-- will be the market tool that is necessary. But
21 typically, those people that come that far want to stay
22 overnight. They're not going to turn around and go back
23 home again and take another three hour or four hour drive.

24 COMMISSIONER: I'm done.

25 THE CHAIRMAN: Next.



1 COMMISSIONER: We are in sort of a
2 mooring period ourselves here trying to get accustomed and
3 acquainted with programs within of this type of ways that
4 Ms. Bochnowski was talking about. But one of the things
5 that we do run into, of course, is the estimates for
6 visitation here in Evansville it parallels that we run into
7 in Gary which includes the Chicago market. A hundred and 60
8 mile radius or something is what the numbers were based on
9 up there, so -- so it -- it gets into, I guess a -- a
10 situation where we really have to understand how this market
11 is going to be able to draw the same number of visits that
12 the people who presented their applications to us in Gary.
13 They estimate that they're going to be able to proceed
14 without similar competition and with a much, much larger
15 market area. I'm not -- not disputing your numbers. I'm
16 just trying to get --

17 MR. RUBELI: Well, --

18 COMMISSIONER: -- programs within
19 feeling and understanding of this.

20 MR. RUBELI: Let me -- let me try
21 to get to that, Mr. Hensley, the issue of those projections
22 and estimates. We're all learning. The -- there is a
23 potential projection of 2.3 million. It does not say each
24 and every operator who were to come before you could produce
25 those results. In the broad macro sense, there are two



1 issues involved in projections. One would be: What is the
2 inheriting potential demand to be tapped in the market? And
3 number two, what would be a project and operator's ability
4 to tap that goal?

5 Well, what we're saying is we believe that
6 there is a potential for the 2.3 million in the first couple
7 of years, and we, therefore, in addition, designed a project
8 that we think we have the experience as a company to be able
9 to tap that, which does not mean that any company can
10 necessarily come in here and get that 2.3 million.

11 Going to the issue of what is there for the
12 inherent and proper demand that's out there in the 2.3
13 million? The issues that metropolitan areas are important,
14 and what we're submitting here is boat recognition that when
15 you go that hundred mile mark, you do pick up two and a half
16 million people. And the big component that occurs is the
17 Louisville metropolitan market. It starts to look a lot
18 like Joliet and Aurora and some of the suburbs of Chicago.

19 And in fact, we have in the autovisual -- can
20 you bring up slide 32 for me, please on the back up tray?
21 Thirty-three, please. Hold on that for the minute. To
22 follow-up on Ms. Bochnowski -- your question earlier, but I
23 just wanted to point out here's our projections out there in
24 years three, four, and five. Well, we're back into that
25 million six level after Louisville metropolitan markets



1 begin to get served by other casinos because we'll lose
2 somewhere along the Ohio river to the eastern part of the
3 state, but up until then, we're in this 2.3 million range.

4 And we provided in comparison during our
5 presentation to work done by other annalists such as ERA and
6 Smith Barney and Solomon, which are showing numbers even
7 higher than this. So they all have their models and their
8 approaches to valuable public -- and each has their certain
9 aspects of comparison, but let me also show you something
10 here.

11 Let's compare ourselves to those Illinois
12 boats that Mr. Hensley was just speaking about. We're --
13 we're not noman's land here. I mean, you've got boats
14 operating, and remember those are in the suburbs. I mean,
15 Aurora is a long way from downtown Chicago. This is not
16 just next door, but they were able to tap that large
17 metropolitan market that exist throughout Northern
18 Illinois. Louisville looks identically the same.

19 I mean, if you look at it on an SMSA basis or
20 on a county-by county basis and you draw that circle, if you
21 accept that people will drive a hundred miles to go to a
22 casino. People in Atlantic City will drive 200 miles to go
23 to a casino. A hundred miles from Louisville to Evansville
24 on that interstate is a little more than an hour and a half
25 drive, and you can be in Evansville. So that we compare on



1 a comparable basis with the boats that are in Illinois.

2 You'll see Metropolis at the bottom of the
3 list because Metropolis does not have a major metropolitan
4 area that it can access. It is a rural market. There --
5 there is certainly a different scenario down there, so what
6 we've suggested here -- and by the way, you're already
7 getting close to drawing a lot from Indianapolis, among
8 other metropolitan area. You've got a lot of people that
9 are driving westbound to Indianapolis because they're going
10 to the casino. They may say they're going someplace else,
11 but that's where they're going.

12 So we have the abilities here to look at that
13 map and see that pocket, but we're also telling the
14 Commission it is not going to last forever. And it's just
15 like I showed you previously. One final comment, and it's a
16 very important one, by law in Illinois those boats are
17 limited to 1,200 gaming positions. We've got 1,500. We are
18 50 percent larger in capacity. And where's that useful?
19 Not on Monday afternoon. We don't need three decks on a
20 Monday afternoon, but on Friday night and Saturday night and
21 Saturday afternoon at peak capacity is when the casino and
22 the casino business make their numbers. And if you don't
23 have the capacity, you get maxed out, and again and again,
24 if you go to Illinois and find out the cruises are sold out
25 on Saturday nights, Friday night, and a number of cruises on



1 Saturday afternoon. So as a firm reminder of confidence as
2 to why these numbers are believable is this. If those
3 Illinois boats could offer 1,800 position type, I guarantee
4 you those numbers would be significantly higher.

5 So remember that too when you're looking at
6 these assessments. The boat we're giving you here is 50
7 percent bigger than those boats in Illinois.

8 COMMISSIONER: You're also showing
9 that your average revenue is \$60, I think, per passenger.
10 Would the Illinois average -- oh, that chart is showing 50.
11 Well, we're showing \$54 dollars, about a ten percent
12 difference. How -- how do you achieve that ten percent
13 increase.

14 MR. RUBELI: Well, what happens is
15 that the initial years who are drawing customers from that
16 Louisville market, they have two characteristics. People
17 from the major metropolitan markets will generally spend
18 more per trip any way. Number two, there is a rule of thumb
19 that the farther you travel, the more you worth your trip.
20 So in the initial couple of years, you have a heavier
21 proponent of people that have traveled far, that are coming
22 from a metropolitan area.

23 Finally, we have a hotel as part of our
24 casino operation, and people who stay in the hotel rooms are
25 the most valuable of all. And that will lend itself to



1 raising our averages that the Illinois boats do not have.
2 Another way to look at this is Metropolis right now is
3 making a million three. Evansville can do more than a
4 million six without knowing a lot about this business. If
5 you compare Evansville with what you can do here and where
6 it's located and the accessibility of Louisville.

7 If -- if Metropolis can do a million three,
8 there ought to be no shadow of doubt that Evansville can do
9 far in excess of the million three and far in excess of
10 million six. It's just inherently logical, and then combine
11 it with the notion that you have a hotel here and Metropolis
12 didn't until recently. We have access to Louisville, a lot
13 closer than Metropolis, and you have have have have have
14 have people traveling farther tends to raise the per
15 capita. We did show you on the previous slide, and I don't
16 think I can go back to it because the reverse button doesn't
17 work. Okay. See what happens in the year three when our
18 win per passenger drops, okay, because we're saying --

19 COMMISSIONER: I'm talking about --

20 MR. RUBELI: -- these are our
21 numbers now. Just -- just ask our numbers projected in year
22 three drop back to a million six and we don't have the
23 Louisville market as accessible to us anymore, and
24 therefore, the win per customers also drops back because
25 we'll have fewer people coming from a long distance, and --



1 and we won't have the valued metropolitan customer. We hope
2 that by doing a good job in the first couple of years, by
3 giving them a quality operation, by giving them an
4 integrated resort experience, that we'll get enough far
5 customers in our database that at least we'll get a portion
6 of their business.

7 You know, we'll lose a good bit of it to
8 whatever licensees are approved upstream. But if you do a
9 good job up front, you know, marketing tells you first on
10 the show always on the show, you keep a customer at least a
11 portion of his value.

12 COMMISSIONER: And what was part of
13 your --

14 MR. RUBELI: I -- I think -- I
15 think we're finished with the slides.

16 COMMISSIONER: Oh. To follow-up on
17 the marketing, and this may have been included, but you said
18 part of your drawings that you'll have entertainment coming
19 in?

20 MR. RUBELI: Yes.

21 COMMISSIONER: And where -- I'm
22 looking at your drawings here are where would -- where would
23 the entertainment occur, and how many people would be able
24 to attend --

25 MR. RUBELI: Well, yeah.

1 COMMISSIONER: -- the shows, and
2 how would all that fit together.

3 MR. RUBELI: The entertainment
4 would not occur on property of the headliner thing, but that
5 the entertainment on the property would be more lavish
6 entertainment, lights and strobes, African special events
7 out on Events Plaza, and that sort of thing. But the main
8 special of that headliner we have agreed in our development
9 agreement we've executed with the city to use values of
10 downtown area of Evansville that would consist of already
11 existing facilities, Vanderburgh Auditorium, not here, but
12 on the other end, there's actually a beautiful, I think it's
13 2,000 seat -- am I right on this guys? A 2,000 seat
14 auditorium that doubles as a showroom, and part of the
15 proposal that we've agreed to help support is the
16 refurbishment and renovation of Victory Theater, which is on
17 Main Street, which would be an outstanding venue then for a
18 future headliner.

19 So our plan would be to use the Vanderburgh
20 Auditorium in conjunction with Victory Theater to post these
21 headliners entertainment plans, and also tie it in with the
22 overall greater Evansville downtown area and the other
23 hotels in town and what not that are on main street.

24 COMMISSIONER: What percent of your
25 visitors did you suspect will be a convention type visitor?



1 You've talked about three or four times.

2 MR. RUBELI: We have the answer. I
3 just don't know where to find it. Well, programs within
4 marketing annalist will figure it up in a minute. Let me --

5 COMMISSIONER: Well, you're telling
6 me they're going to drive a hundred miles here? And I saw
7 the map and they talk about open space in the boat and 2,000
8 seats for headline entertainment. You're -- you're talking
9 about having programs within conventions or something more
10 than local people to show up to gamble.

11 MR. RUBELI: Well, it won't be the
12 local people for that. No way do you put that kind of
13 investment in a headliner entertainment just for local
14 people. One of the good parallels I'll give you is Atlantic
15 City. It's a major metropolitan area, but Atlantic City
16 itself is remotely located.

17 For those of you not familiar, it is an hour
18 and a half drive from Philadelphia to get there, down to the
19 resort. It's a two and a half hour drive from New York
20 City. So -- so really, you know, it is on the east coast
21 and you assume it's surrounded. It really is surrounded by
22 wetlands and open spaces, and you have to drive a long way
23 to get there. And the idea would be to draw people again
24 from those areas along the interstate that are within that
25 two hour drive, two and a half hour drive of Evansville.



1 On the convention business, what we did was
2 to calculate the occupancies that we would derive from that
3 hotel and it came from three primary sources. There is the
4 Louisville area that comes to Evansville, there's the tour
5 and track -- tour and travel, tourist travelers that come;
6 already a very significant group, but certainly wide open
7 traditional packaging as 150 bus tour operators and
8 particularly a lot of Branson round that comes down to
9 Indiana.

10 And then finally the convention component.
11 Per se we can not tell you because I don't know the answer
12 involved in the mix of rooms in Indiana. That mix is going
13 to wind up doing conventions, tourists, and businesses. But
14 what we are convinced of is with 250 rooms, if we do not
15 have enough room to accommodate. Because what happens is
16 when you walk in to your party for your special customers,
17 they all want to come and an ideal party in our past
18 experience is the party that might invite three or four
19 hundred players either to go into a ball room or you
20 decorate it, or whatever the occasion may be. If it's New
21 Year's or the Fourth of July or Saint Patrick's day, let's
22 say, and they all want to stay in the hotel. And you put
23 three or four hundred people then on average to -- to three
24 or 400 players, on average they're going to come with a
25 guest, you've got six or seven hundred people and only two



1 to a room, where do you put them?

2 And so it works hand in. And if you don't
3 have the room then you can't have a market, and if you don't
4 have a market then you won't have the room. If you put them
5 together you'll be very successful. This industry is
6 proven. When you build hotel rooms, casino revenues go up.
7 The industry in Atlantic City, the industry, 9,000 hotel
8 rooms last year ran at over 90 percent occupancy. And what
9 everyone believes is the day trip market, and I guarantee
10 I'm not flying into Chicago from Atlantic City.

11 COMMISSIONER: Well, that -- that's
12 one of the interesting things though is the number of
13 competitors from Atlantic City that's gave us programs
14 within of those numbers from up at Gary and Mr. Trump's
15 estimate, I think his number of visitors was what, 2.2
16 million, something like that.

17 MR. RUBELI: What is that, for
18 Gary?

19 COMMISSIONER: Pardon?

20 MR. RUBELI: For Gary?

21 COMMISSIONER: For a hundred and
22 sixty mile radius, yes, coming into Gary.

23 MR. RUBELI: He knows what that
24 kind of market is. That's right.

25 COMMISSIONER: They run the three

1 population base, you know, the -- I'm -- I'm just trying to
2 figure out how a population base that large with similar
3 type of projects and so forth could maybe bring in 2.2
4 million to Gary and 1.9 million to Evansville.

5 MR. RUBELI: The key difference,
6 Mr. Hensley, is there's no competition. There's already in
7 the greater metropolitan Chicago area, you've got three,
8 four operating casinos, five in the case of Elgin that are
9 accessible. Gary would be six maybe seven. You have have
10 have have have have to assume a second Gary. The pie is
11 split up seven ways. Here there's one casino serving at
12 least for the first couple of years. After it's competition
13 and visitations fall off. That's the life. We may be
14 wrong, but that's how we arrived at it.

15 COMMISSIONER: Your convention
16 people you said drive or have to come in by aircraft or
17 something. What airline has -- who services Evansville?

18 MR. RUBELI: They don't have to
19 come in by air because, for example, I mentioned, if you run
20 a property at Laughlin, Nevada, that's four hours from the
21 Phoenix area. Phoenix is a major, major convention
22 destination resort area and Scottsdale. And what happens is
23 people will come in for a three day, two night, or a four
24 day, three night convention or meeting and they're out there
25 anyway, and they say, well, let's go a couple of days before

1 or a couple of days after to Lauflin, Nevada.

2 Now, Laughlin, Nevada has an airport similar
3 to the Evansville airport. It's not a very large airport,
4 but when we package our luxury motor coach tours that are
5 tied in to some of those conventions, the realtor will say
6 for those who want to stay on, and they'll sign up for it.
7 And you pick them up at the hotel in a bus, drive them for
8 four hours, and there they are in a whole different
9 environment. They're in a new environment, they spend a
10 night or two, and they go back to Phoenix and go home again.

11 COMMISSIONER: So what happens when
12 -- what happens when Louisville gets a boat or something in
13 their area, then that kind of goes away, right?

14 MR. RUBELI: Well, that would make
15 it a million six visitors here then.

16 COMMISSIONER: Yeah, that's right.

17 MR. RUBELI: But I think a million
18 6 visitors is a very successful operation.

19 MR. HADDOCK: In answer to your
20 question about which airline serves this airport is U.S. Air
21 Delta or West America, I'm told.

22 COMMISSIONER: I believe at present
23 it was 12.7 million. Is that the number your working with?

24 MR. RUBELI: 12.7 million is the
25 number we're working. Ask the question again, please.



1 COMMISSIONER: Well, the figure
2 that we have here in front of me that was admitted to the
3 staff was 11,895,000. And I'm asking you which one of those
4 figures is correct. If you're telling me, 12.7, is that
5 what you intend to spend in marketing the first year?

6 MR. RUBELI: Yes. But I can't tell
7 you which figure is correct. I can tell you that we can
8 expect --

9 COMMISSIONER: Your projections are
10 35 percent higher than the next applicant's.

11 MR. RUBELI: Yes.

12 COMMISSIONER: And I believe that
13 is the concern of the Commission first. Your first year,
14 2.3 million, and if you're going to spend somewhere around
15 \$12 million on marketing the first year, at what point does
16 -- does this cause ratio become insignificant? I mean, if
17 you can relate your marketing expenses, which is my
18 understanding of why you have have have have have have such
19 a higher attendance. If in one month you're spending \$24
20 million and four and a half million people coming. What's
21 the rationale among of all this?

22 MR. RUBELI: Well, the rationale is
23 two-fold. You certainly get the long initiative
24 alternatives such as the customers, because when we give to
25 the market amount they're more expensive. But number two is



1 the balance between capacity and -- and -- and market
2 dollars. It would be pointless to have a market of four
3 million if you couldn't handle four million. So on a
4 particular Saturday night this boat will hold 2,500 people
5 on a cruise period. If you over market and if you want to
6 get 3,500 showing up on your doorsteps, then you're going to
7 have a riot on your hands, and that's for happy customers.
8 So there is a relationship between marketing dollars in
9 demand and certainly you just can't say, well, I'll spend 24
10 million and get twice as many customers because the boat
11 can't handle it.

12 COMMISSIONER: Okay. Well, my
13 question is was that you're spending about four times more
14 on marketing, and you're attempted projections are 35
15 percent higher. How do you know that the projections of
16 Player's or Evansville Landing's -- particularly Player's
17 market for Metropolis isn't simply what we have here?

18 MR. RUBELI: Well, that's -- that's
19 -- if I understood your figures you're saying when you
20 compare us to Player's, they're spending \$3 million and
21 we're spending 12. So we're spending four times more and
22 only getting 35 percent more. Now, that may be, but let's
23 -- let's put this in prospective that the total projections
24 we have are 2 million or three visitors for \$12 million is
25 less than \$6 per visit, in return for which we will get 55



1 or \$60. If I could invest \$6 a visitor and get 35 percent
2 more total business, I'll do it any day.

3 So we probably are making returns, if you
4 will, but returns are still very, very profitable. \$6 to
5 market a customer per head on average is not anywhere near
6 what we have to spend in Las Vegas, Atlantic City Laughlin.
7 That is the reason why the markets are so much higher in
8 these riverboat venues because we don't have as much
9 competition, and you can get by spending only \$6 a head to
10 get people over the course of the year to come.

11 COMMISSIONER: If -- if the
12 financial hardship comes down, wouldn't -- wouldn't it come
13 quicker to somebody with a larger financial commitment and
14 investment that you have and greater incentive therefore to
15 cut their loss and leave without, you know, any major
16 expectation. If you've got a bigger boat, then you're
17 taking a bigger risk --

18 MR. RUBELI: Yes.

19 COMMISSIONER: -- whereas some of
20 the other applicants that have smaller boats, aren't the
21 hardships going to hit you harder and faster if -- if the
22 attendance projections aren't met.

23 MR. RUBELI: Well, interesting
24 question. In terms of philosophically, we won't make our
25 project, but we're not going to lose money.



1 MR. CHAIRMAN: I think it's more of
2 a break even question.

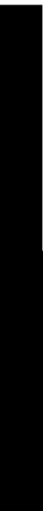
3 MR. RUBELI: Well, we've
4 demonstrated even in the levels of forecast that people have
5 which you're saying that are using. We anticipate operating
6 around those levels in year three anyway. But the real
7 loser wouldn't be us, it would be the State of Indiana if
8 you can't accommodate the extra demand at that you could
9 have.

10 COMMISSIONER: I don't understand.
11 Is your refinancing for \$180 billion? What's that? What,
12 13 and three quarters percent?

13 MR. HADDOCK: And the answer is
14 that the financing will be completed in the fall which I
15 think the one you're referring to, the \$200 million
16 financing, the use of the proceeds there were to redeem the
17 outstanding indebtedness that was issued in 1989 and the
18 interest rate was 13 and three-quarters as fixed rate.

19 COMMISSIONER: Is -- is that
20 typical? Is that a good interest rate for a growing
21 industry.

22 MR. HADDOCK: No. It's not a good
23 interest rate, unfortunately. We -- we issued a similar
24 paper in 1992, and the rate then was 11 percent. So very
25 much a function of where rates are in the marketplace for



1 similar credits. And we decided that we -- that we would --
2 that we would not -- we weren't facing maturity that would
3 require us to redeem the paper, due to the fact we
4 refinanced. One of the things that we can do frankly was to
5 complete the recapitalization to the company that would clue
6 the availability of \$280 million to the Commercial Bank that
7 I talked about which is the going rate and is very much
8 lower, and it would also provide the source of funds for
9 this project as well as programs within other incorporates.

10 COMMISSIONER: What's the rate on
11 the credit facility?

12 MR. HADDOCK: Well, it's at this
13 exploding rate, basically with light work and -- and the
14 actual rate varies with the amount of leverage the company
15 has to a point in time, and at -- current rates add
16 leverage. It's 9 percent roughly. It's over 9 percent now.

17 COMMISSIONER: So there's light
18 work?

19 MR. HADDOCK: I think it's light
20 work, it's 250, I think 250, it's either light work or
21 something similar to light work. Eight and a half percent.

22 COMMISSIONER: You're -- you're
23 stock prices are considerably low in your book value at this
24 particular point. Is that the typical in the industry?

25 MR. HADDOCK: Well, I wouldn't say

1 it's typical, Mr. Hensley. On the other hand, in this
2 industry there are all kinds of factors that effect stock
3 prices and relationships on book value, and one of the
4 things that's -- that I think from the Commission's point of
5 view is a plus. And I think the big plus is that this
6 company has a substantial amount of fixed plus assets as I
7 described in my presentation and represented by a property
8 plan development of land, and I think a lot of our
9 competition in the industry, particularly new interests to
10 the industry who have been very successful in operating
11 their own individual riverboats at very low cost initially,
12 have their stock rates in multiples, simply because, frankly
13 there hasn't been a lot left to invest in programs within of
14 those monopolies to be very successful from the beginning.

15 We don't think that is the trend. The trend
16 will continue for the long term. I think we've seen that in
17 Mississippi and Louisiana where the fall has developed, but
18 it's certainly true that the relationship blocks out the
19 book value. So I think that it's different in every
20 relationship in the riverboats where there's not a lot of
21 necessity.

22 COMMISSIONER: You don't think
23 that's a market concern that you might not be able to make
24 your projections over time, or that your earnings will be
25 too be volatile to meet high cost?



1 MR. HADDOCK: No. I don't think
2 that's what it is. I -- I do think that it's the stock
3 market that has reacted to the gaming industries prospects.
4 Stocks were very high as you probably know a year or so ago,
5 and if you look at performance in 1994 in particular, we
6 came right back down again. Aztar's stock, as other cities,
7 by trading a fundamentally insane range. And I think that
8 that was true to a large view because we were not
9 participating in what I would call the markets in
10 Mississippi where people were making a quick buck and moving
11 on. That's not how we -- how we manage this company, and we
12 don't go through Mississippi Louisiana markets. So I think
13 -- I don't think it's an indication concern at all.

14 In fact, I think that there are businesses
15 that occurred recently that would be a manifestation of the
16 confidence that this community has in the company.
17 Certainly the issuance of the bonds that we did in the fall
18 were not completely satisfactory, satisfactory to us. And
19 more importantly, I think there are provisions by Bank of
20 America and Bankers Trust and a group of other really very
21 fine institutions of this \$280 million credit facility that
22 I mentioned to you. That group did really an extraordinary
23 amount of work for the company and it's prospects and
24 provided that facility to us.

25 COMMISSIONER: That's actually



1 including the projections. --

2 MR. HADDOCK: Yeah, including
3 projections for this project. Actually, Bill, would you
4 mind if I ask Mr. Doogie to a come forward and comment, and
5 Mr. Criskenson of Solomon Brothers is here as well. Perhaps
6 they will comment on the -- on the subject. Bill and Mike.
7 Bill Doogie is the vice president with the Bank of America
8 and Mike Criskenson to your right is the vice president of
9 Solomon Brothers.

10 MR. CHAIRMAN: If you would
11 identify yourselves as you start to speak.

12 COMMISSIONER: You're participating
13 with another bank in this credit facility?

14 MR. DOOGIE: I'm Bill Doogie,
15 manager of the Bank of America. There are a number of other
16 banks participating in the credit facilities, that's
17 correct, based on their cash flow and based on that ratio
18 compare to figure out the price level. Currently, there at
19 the right level where it could be used, plus 250 -- two and
20 a half points. Today's is about 6 percent. That roughly
21 equates to 8 and a half percent.

22 COMMISSIONER: But the more they
23 borrow, the higher that rate goes up.

24 MR. DOOGIE: Well, the theory of
25 the function level is the level you get -- the level of cash

1 flow, so as the level of cash flow increases, they could
2 borrow more in the facility. They're already up to the
3 maximum of \$280 million, that's correct. The bank -- the
4 bank group did a significant amount of diligence work for
5 the Evansville project and with the initial project,
6 particularly on the part of our investments.

7 COMMISSIONER: Would you care to
8 comment at all on that aspect of it?

9 MR. DOOGIE: Yeah, the Bank of
10 America did do a substantial amount of diligence on the
11 project. Looking at not only what we saw in Evansville, but
12 what we saw in other jurisdictions, including Illinois,
13 Louisiana and Missouri, potentially Missouri, and we came to
14 the conclusion that there was a tremendous market and a
15 tremendous opportunity, and as such was something that the
16 bank wholeheartly supported, evidenced through the credit
17 commitment to put it in place.

18 COMMISSIONER: They're not secured
19 facilities?

20 MR. DOOGIE: No they're seen as
21 secured facilities, but all the assets are borrowed, which is
22 in fact one reason that their rates are substantially lower
23 than the -- than the other applications of the companies.

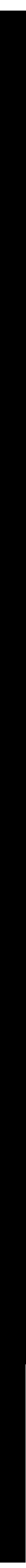
24 COMMISSIONER: Solomon Brothers; is
25 that correct?

1 MR. DOOGIE: Yes, sir.

2 COMMISSIONER: I just received, I
3 guess, programs within of the information from the
4 standpoint of the market analysis and I note that you pretty
5 much support the numbers that were here. But we also have
6 programs within data here from Deloid and Touth for the
7 site, for the city of Evansville report. That comes to 1
8 million four visitors, I guess in a hundred and 25 mile
9 radius. Did you get a chance to look at their material when
10 you were going through your studies?

11 MR. CRISKENSON: No, I did not.
12 The information -- my name is Mike Criskenson. The
13 information that you are reviewing was actually prepared by
14 Bruce Turner, who is our and analyst and our reseacher, and
15 he prepared that last year when investors were looking to
16 evaluate the market potential for all of these new
17 jurisdictions that were either adopting legislation to
18 promote development or contemplating an initiative to do
19 that, and basically went through and analyzed that analysis,
20 as I'll describe, each of the market, each of the companies
21 running to get a jurisdiction based on data that was
22 available from other existing jurisdictions and how far
23 people will travel.

24 How much will they spend? How often are they
25 likely to visit, given how far they are away from that



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1 market, and came to that conclusion basically on most of the
2 jurisdictions that have adopted the legislation. And I
3 think that, you know, Bruce is probably one of the most
4 knowledgeable people in this in fact, bring arena. He's the
5 institutional investor's number one ranked analysis, and his
6 estimates are, you know, based on his experience and his
7 analysis of existing jurisdictions, and people can disagree
8 agree with them.

9 At times he may make adjustments in the
10 future, but -- but, you, know he is a highly qualified
11 analyst and that's the conclusion that he came to
12 independent to what other people have produced.

13 COMMISSIONER: Has your marketing
14 for Aztar stopped?

15 MR. CRISKENSON: We -- we make the
16 market in Aztar stock, we make the market in their bonds,
17 and we make markets in most of the other public gaming
18 company's stock and outstanding public debt.

19 COMMISSIONER: Would you respond to
20 the same question about the stock selling at considerably
21 less booked --

22 MR. CRISKENSON: That's typical in
23 the industry. This is the company that has a substantial
24 fixed asset base which is different from any of it's
25 competitors, particularly with the emerging companies. And



1 as a result, I think that it's market valuation, if you
2 will, is based more on the cash generated ability and
3 earnings generated ability in the company, independent of
4 the actual book asset base. The companies that have smaller
5 fixed asset bases have also been much more volatile over the
6 last several years, the last two years in particular, as
7 investors have made various adjustments in how they will
8 value future earnings.

9 If a company has a new project that's been
10 announced and it's going through various stages of approval,
11 there have been times in the past when investors would
12 actually value that more highly than frankly they will
13 today. And that has caused larger swings, but Aztar, with
14 it's focus on Evansville in -- in select markets, it's
15 existing earnings base has been much more stable. And I
16 think that that's really what's kept the stock price at this
17 level and not necessarily its book value.

18 COMMISSIONER: It doesn't have
19 anything to do with ideas or with the fact that all of the
20 assets are tied up in one credit facility.

21 MR. CRISKENSON: Certainly leverage
22 has been affected. I mean, people will basically look at
23 what's the value of the entire enterprise, subtract the
24 debt, and that will be the value of the attribute to the
25 equity. I think though, that this is a company that



1 certainly has never had an issue in terms of service in it's
2 debt or unnecessary investor concerns of the world today.
3 The company's debt in relationship to it's cash flow from
4 its existing assets is certainly with accessible standards
5 for the credit markets. I would also point out that I
6 believe a \$280 million bank credit facility is one of the
7 largest available credit facilities in the industry, and
8 that's in addition to the company's existing core, long term
9 subordinated capital.

10 COMMISSIONER: Okay. Thank you.

11 MR. CHAIRMAN: Anything else of
12 these gentlemen before they leave?

13 COMMISSIONER: Just a couple of
14 questions. One is do you -- do any marketing outside of the
15 region, and if so, what percentage of those were allotted
16 for that?

17 MR. RUBELI: The contemplation that
18 is outside of region we have an opportunity to use our
19 existing databases that we put together with the other three
20 properties. We use some tie in offers. I think that's
21 particularly useful for people who are maybe making business
22 trips in the Midwest, or visiting relatives back in the
23 Midwest, and therefore have access to this market.

24 Number two, the existing east coast and west
25 coast sales offices that aren't tied in to a certain group



1 of conventions. And I will tell you this. Very often you
2 have have have have have have a national convention that's
3 held in Las Vegas that has series of regional shows and
4 meetings all over the country. And that's the sort of tie
5 in that I think we have -- we have the capability of calling
6 upon. And lastly, in the tour and the travel area because
7 of the networks of wholesalers, travelers and what not, we
8 have programs within contacts.

9 So a lot of that cost is already there, Dr.
10 Ross, and and we intend to just simply make use of it. Most
11 of that 12.7 million isn't going to be spent bringing people
12 in from the four state area as I described earlier,
13 targeting particularly Illinois, Kentucky, to a lesser
14 extent Tennessee, and of course you have have have have have
15 Indiana.

16 COMMISSIONER: The second question
17 is that it seems from the figures that you have have have
18 have an excellent minority hiring background.

19 MR. RUBELI: Thank you. We -- we
20 sure do. That's our opinion too.

21 COMMISSIONER: And it seems like,
22 as I recall, it was somewhere in the 30 percent? What is
23 the 30 percent? Why are you only doing ten percent here.

24 MR. RUBELI: Well, first of all,
25 the -- the figures on minority hiring are higher than that.



1 In Atlantic City it's 46 percent of our employees, and we
2 have over 4,000 other employees. So we have almost 2,000
3 minorities right there alone. 46 percent in Atlantic and we
4 have 41 percent in Las Vegas and 23 percent in Laughlin. We
5 were asked to provide assurances and commitments to do at
6 least ten percent. We gave the people what they asked for.

7 I will tell you we will do more than ten
8 percent. It's also relevant, and as you would know to bear
9 in mind what the local communities might have by way of
10 available workers and the labor pool in the minority
11 categories. As that slide that I had up there in my
12 presentation showed you, and in those slides we really did
13 get 46 minority and 41 percent. The local communities were
14 in fact apprized of about 21 to 23 percent minority.

15 Here the Evansville there's about a 7
16 percent, 8 percent minority population. So if we double it
17 in Atlantic City and Vegas, maybe our goal ought to be to
18 double it here, and I'll share that goal openly with you.
19 But our commitment that we were asked to provide was for ten
20 percent, and we will exceed that commitment.

21 COMMISSIONER: Thank you.

22 COMMISSIONER: I'd like to follow
23 up on Dr. Ross' question because I have a note here to
24 myself also. I would think that in the hotel,
25 entertainment, casino especially types of industries, I



1 would expect to see a lot of women in little dresses and cut
2 dresses. Okay. Now, how many women -- I see four women up
3 there in your whole row and two of them are your
4 minorities. How many are actually in management
5 substantial, meaningful positions.

6 MR. RUBELI: If you hadn't asked me
7 that question, I would have been disappointed. Can I have
8 slide 30, please.

9 MR. CHAIRMAN: Do you have a
10 license in Missouri yet or not? I guess I get a little
11 confused.

12 MR. RUBELI: No. The way the
13 procedure works there, Mr. Chairman, is that licenses are
14 not actually granted but it didn't only about two weeks or
15 one week before you open. It's an unusual --

16 MR. CHAIRMAN: You get no assurance
17 that you're going to get a license, no suitability or --

18 MR. RUBELI: Well, I think we have
19 a lot -- I think we have a lot of informal assurances, but
20 the fact is under the law and the way it's written, no. And
21 it's not a real good situation up here at programs within
22 point, but they're learning too. I mean, we all are.

23 MR. CHAIRMAN: We're all learning.

24 MR. RUBELI: In terms of women in
25 management, we have at Trop World 41 percent of our women in



1 management, Tropicana, and the Ramada Express, 42.

2 COMMISSIONER: And what about
3 minorities? Got another one for that?

4 MR. CHAIRMAN: Are those percent
5 ages of the total --

6 MR. RUBELI: What did you want,
7 minority?

8 COMMISSIONER: Minority for
9 management. I knew you'd have that.

10 MR. RUBELI: Okay. For the record
11 by the way of recording this we have 26 percent minorities
12 in management in Atlantic City, 13 percent in Las Vegas, and
13 7 percent in Laughlin, Nevada.

14 COMMISSIONER: Does that number
15 represent 26 percent of the total people or 26 percent of
16 the total minorities.

17 MR. RUBELI: It represents 26
18 percent of our management group. That's enough on the
19 slides.

20 COMMISSIONER: You had made
21 reference that within the first year 90 percent of the
22 employees will live here in town. How many of the employees
23 will be hired from Vanderburgh County.

24 MR. RUBELI: It's the same goal, 90
25 percent.



1 COMMISSIONER: So it's your
2 submission that 90 percent of employees will be from the
3 Vanderburgh County?

4 MR. RUBELI: Yes.

5 COMMISSIONER: What about the
6 fourth and sixth wards here in Vanderburgh County? Are
7 there any -- has there been any thought given to the stress
8 in hiring within the fourth and sixth wards here in
9 Vanderburgh County?

10 MR. BRZOZOWSKI: A lot of them are
11 going to be setting up job fairs to help the personnel
12 people out. We're going to use some community facilities,
13 where available, to have information sessions where we will
14 list which jobs we will be setting up training for. We will
15 work with any -- any people willing to work with us, and
16 administer offers in their facilities. We will use those
17 facilities to make the information available, and, yes,
18 we've already had a lot of work done in that area.

19 COMMISSIONER: So there will be
20 emphasis on the fourth and sixth wards?

21 MR. BRZOZOWSKI: Absolutely.

22 COMMISSIONER: In reference to your
23 employees you gave the figure about how many employees you
24 would have, but -- but what percentage of those would be
25 part-time employees.



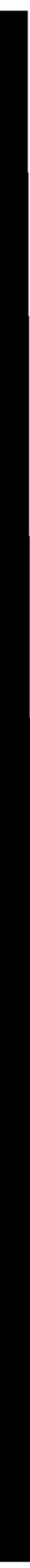
1 MR. BRZOZOWSKI: I think about 350
2 part-timers, 1,400 full-timers, maybe 150 or so, and that
3 will vary. We hire a lot of part-timers, primarily because
4 we have such significant peace and values in our business.
5 As Paul mentioned before, you know, what really makes the
6 casino successful is how we handle the business on Saturday
7 Saturday afternoon, Saturday night, and Friday evening.

8 What we do is we -- at Atlantic City for
9 example -- we hire quite a few retired people, people who
10 really only want to work 8 to 16 to 20 hours a week, and we
11 bring them and we train them just like anybody else. And we
12 bring them in to work when we need them in peace. So we
13 would be able to bring our staffing up significantly on
14 Saturday, and then by Monday morning, Paul mentioned that
15 you don't need the size of the facility that we have. We
16 bring it down quite a bit to be able to actually manage
17 profitably, otherwise you would much too many people.

18 COMMISSIONER: What about health
19 care coverage for part-time work? I would assume if you had
20 full-time work that it would be --

21 MR. BRZOZOWSKI: Well, health care
22 coverage, we have a couple of options that we -- we haven't
23 developed a part-time plan in Evansville yet. That would be
24 a bit premature, but --

25 COMMISSIONER: It would be a bit



1 premature since we don't have the license yet.

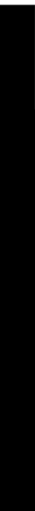
2 MR. BRZOZOWSKI: Absolutely.

3 COMMISSIONER: Assuming you get the
4 licence, what health care benefits would part-time people
5 get in health care?

6 MR. BRZOZOWSKI: Well, I believe it
7 would follow the city's example where we'd structure, based
8 upon the needs of the employee. We have several plans up
9 there. We have a higher average hourly rate for those
10 people who don't want benefits. There are certain people
11 who may have a spouse working someplace else or, for
12 whatever reason, just care about the higher hourly rate.
13 There are other people who need the benefits. Those people
14 would opt for a different wage scale, which would have
15 programs within type of a benefit package associated with
16 that.

17 COMMISSIONER: Okay. Another
18 question I would have is in reference to training then, I
19 would assume there would have to be some training for the
20 dealers and people that have to have certain skills. How
21 soon would you be able to train people from Vanderburgh
22 County to do those jobs? Are you going to have to bring
23 somebody from outside to do that during the training period,
24 or for longer.

25 MR. BRZOZOWSKI: Well, we'll follow



1 the example that we're currently doing now when we speak in
2 Missouri. We would bring in programs within of our
3 management from our own existing casinos, and we would set
4 up a school. We would set up just a local establishment and
5 have probably two or three in Evansville actually, two
6 different sites, probably one in the fourth ward, and we
7 would set up a location and bring in programs within casino
8 management. After we have our job fares, then set up a
9 school schedule. We'd run a school probably 16 hours a day
10 because of our accelerated schedule. So we would set up our
11 own school with our own people, and we would call them all
12 that we're using in Missouri right now.

13 COMMISSIONER: And your intention
14 is to hire Vanderburgh County people or Indiana people.

15 MR. BRZOWSKI: Yes.

16 COMMISSIONER: Southwestern Indiana
17 people for that job.

18 MR. BRZOWSKI: You'd actually see
19 them running the facility. You have to work with boat city,
20 and we have an area called the incubator, which is an area
21 that they use to help start up new businesses. I met with
22 them a few weeks ago, and basically we agreed that we would
23 use it, one of their facilities, as long as they found us
24 additional parking for the people. And we would use that as
25 a start-up for our training programs.

1 COMMISSIONER: If I could bring up
2 one thing. Mr. Klineman had mentioned about the pursuit of
3 the riverboat licenses in Missouri, and I believe in New
4 Jersey also; is that correct? There is no location other
5 than Indiana and Missouri.

6 MR. RUBELI: Oh, right now just
7 Missouri. New Jersey does not permit the riverboats. We're
8 pursuing right now the opening of the Caruthersville,
9 Missouri facility, which we opened in April prior to this
10 project. Now, we have been selected by boat city of Newport
11 News, Virginia following an eight month fairly early
12 selection process there competing among six companies for
13 their designated licensees. The good news is we got picked
14 by the city Virginia, the bad news is that gaming is illegal
15 in the state of Virginia.

16 By the way, to follow-up on that, if they
17 believe that over the next year or two that there's a 50/50
18 possibility that the commonwealth of Virginia will improve
19 limited restrictive riverboat gaming and so we've already
20 been preselected by that city. We're very proud of that
21 accomplishment. I'm not sure what it's worth.

22 COMMISSIONER: Yes. But the point
23 with us is if -- if you were to receive a riverboat license
24 here and then you would have one in Missouri and possibly in
25 Virginia and that you were making money here, and would then

1 filter it into Missouri with programs within money. Would
2 you profit that off of that from here to take care of that,
3 or would that -- would that be back on -- on the license
4 here?

5 MR. RUBELI: Well, you know, cash
6 is funded so it all goes back to the central treasury, but
7 what we tried to show you were those illustrations of what
8 we've done Atlantic City and Las Vegas and in Laughlin, we
9 have continued to reinvest year after year after year. So
10 my answer to you would be of course cash moves around I
11 don't know what particular dollar will be doing what, but we
12 are clearly committed with two-thirds of our investment
13 being on land to being here for a long time, and we
14 successfully have to keep investing and reinvesting and
15 reinvesting.

16 We've seen some illustrations of what happens
17 when owners don't reinvest and then they look for a bail
18 out, and that's not the way to run a successful business
19 enterprise, free market enterprises. And our company
20 continues to reinvest, reinvest, building up boat various
21 assets on the boat Mr. Criskinson and Mr. Doogie spoke
22 about. That's the long term staying power of this company.
23 The short term directory may not have recognized our true
24 longer term value, but they're also waiting on the
25 Evansville hearings to be concluded, too, I assure you.



10/10/2019 10:10:10 AM

1 COMMISSIONER: You were talking
2 about the hotel, I didn't figure that there were 75 hundred
3 square feet allotted to the -- the conference rooms. How
4 many rooms is that going to be, do you know?

5 MR. RUBELI: We have 75 hundred
6 square feet allotted for a conference room in the hotel, but
7 we have an additional 15,000 thousand feet of ballroom
8 space, for a total -- actually, if you round it up and
9 include the free conference space of about 1,800 square
10 feet, there's only 24,000 square feet of meeting and
11 convention space. The ballrooms, for example, you can
12 subdivide them into a number of different rooms. So the
13 answer to your question is in the final design there will be
14 will a variety of figurations that will vary boat number of
15 meeting rooms, but in total, 24,000 square foot will be
16 available.

17 COMMISSIONER: The Executive Inn,
18 which is across the street, there's been programs within
19 indication that Evansville landing doesn't really like, but
20 that's the focus and has been the main tradition in the past
21 in this in fact, bring area. Will you be able -- will you
22 have enough facilities there to make up with what it would
23 have been if the Executive Inn traditionally ran business at
24 it's peak?

25 MR. RUBELI: Well, we do not look



1 at this as either or. I mean, I actually feel that we are
2 going to generate more than enough hotel rooms in this city
3 to keep all hotel operators open and operating. And there
4 will be an entrepreneur that comes in and makes that place
5 successful. And we need them here. We need the rooms and
6 we need the convention space, so, no, we cannot replace
7 them, but we will make them successful I sincerely believe.

8 COMMISSIONER: That my question is
9 if the Executive Inn shuts down, if it's not open for
10 business, are you going to be able to have enough room in
11 your hotel to pick up that slack for the convention
12 business.

13 MR. RUBELI: I didn't -- yeah, I
14 think the answer is yes and no.

15 MR. HADDOCK: For example, meeting
16 -- a meeting of 200 on that scale, boat answer is yes. If
17 you're talking about convention that has 500 -- and so these
18 obviously -- you know, we're a 250 room hotel. We're not
19 going to be able to accommodate that particular many.

20 COMMISSIONER: Have you been in
21 contact with the Evansville Commission Bureau?

22 MR. HADDOCK: We sure have,
23 absolutely.

24 COMMISSIONER: Now, the other
25 question that I have is if you were hired to being involved



1 with Evansville Landing and operating hotels and they first
2 successfully wasn't in the initial meeting, and now they've
3 proposed to go with the Executive Inn, I'm thinking, with
4 their understanding of the market and the hotel across
5 street, why isn't it that we should go out there and award
6 the credibility based upon what they believe the hotel
7 market is here in this in fact, bring area.

8 MR. HADDOCK: Well, I guess the
9 obvious answer to that question -- okay. I might start out
10 by pointing out that this company also has a lot of hotel
11 experience, and prior to that -- in our -- in our private
12 lives and so to speak, we're associated with very large
13 companies, and I personally was involved with most of them,
14 but we also have programs within knowledge. The -- you
15 know, the hardest part is this marketplace. And assessments
16 have been made by the two independent consultants that give
17 us an objective. We have meeting research associate studies
18 which could tell market as well as boat study that's done by
19 our groups that would indicate very clearly that there will
20 be, as a result of the Aztar project, access, and I would
21 say significant access demand on this marketplace that will
22 support additional supply.

23 And if -- if the ultimate owners of the
24 Executive Inn are prepared to invest the dollars necessary
25 to make that competitive to the profit market, then it will



1 be fine. But there's no doubt in our mind and it's never
2 been a doubt in our mind. I can't speak for Hyatt, but it's
3 never been a doubt in our mind that this market can't absorb
4 a 250 room hotel, and indeed that a 250 room hotel adjacent,
5 as long as it is to the riverboat casino, is an important
6 agreement in the ultimate success of the project.

7 We're not talking about a facility that's
8 been washed away. We're talking about a hotel that's across
9 the street protected by their climate controlled walkway,
10 and that's our difference in that facility. That's a whole
11 different ball game in terms of patron comfort and patron
12 desire to come back to the experience. The whole part of
13 our project is be loyal to the customers, and the
14 integration of our project is very important to us.

15 COMMISSIONER: Let me ask you this
16 question. If your site isn't on Riverfront Park, how do you
17 think that's going to benefit the walkway and downtown area
18 particularly with such access to the Lloyd Expressway being
19 connected to the east and west sides of Evansville and the
20 north sides of Evansville? How are you going to benefit the
21 downtown versus being right at the end of walkway like
22 Players is doing.

23 MR. RUBELI: Well, we have in fact
24 extensively incorporated that integrating returning to the
25 river, returning to the Main Street theme. Certainly, the



1 Vanderburgh Auditorium Victory Theater, headliner
2 entertainment I spoke about earlier. Certainly the
3 cooperation of other hotels establishing we need them and
4 they need will create cross gravity of the Main Street. But
5 very specifically, databased -- those databased customers,
6 that we've given them the promotions and offers to evaluate
7 the downtown Main Street merchants. And we're going to be
8 applying for a series of special events and affairs and
9 activities that we need to stole over on the esplanade, on
10 the area in front of Dress Plaza and there onto the Main
11 Street area.

12 I think, putting this all in prospective,
13 we're in the downtown area. I mean, we are three blocks
14 from Main Street, and it's very difficult not to copy in
15 that we bring it 2.3 million to this city, you know. Three
16 blocks away, we are part of downtown. We're not on the
17 other side of Lloyd Expressway or we're not two miles on the
18 outskirts of town. This is downtown here, but so is
19 Riverfront Park, Dress Plaza and Main Street. And we -- we
20 have boat sheer magnitude of this many visitors coming to
21 town either day trippers coming by car, day trippers coming
22 by bus, or overnights staying in the various hotels in the
23 town, all been cross marketed through database marketing
24 will create a vibrant inner city, and that's what downtown
25 renovation is all about.

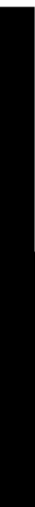


1 Three blocks is quite a small spot when
2 you've drive an hour and a half to get here. And that's the
3 key that I think sometimes is lost in this in fact, bring
4 whole community. They think three blocks is a long walk.
5 You drive from Arizona, you drive 300 miles and see nothing
6 and people who will drive hour and a half to come here are
7 going to be highly motivated to go seek out some of the
8 other options in Evansville. That makes a good market, and
9 that's what we intend to do with our program.

10 MR. CHAIRMAN: To follow-up a
11 little bit on some questions that's been asked, what is the
12 average beginning salary for the entry level people as you
13 would envision, maybe per hour I guess.

14 MR. BRZOZOWSKI: It's kind of hard
15 to generalize, but I believe in an entry level position like
16 a change person, you're talking six -- \$6 an hour to start.
17 And dealers, dealers traditionally will be getting minimum
18 wage, but on the other hand, they have the opportunity --
19 and this being like most other casinos -- to make 11 and \$15
20 an hour tips routinely. So I think that that's kind of the
21 starting point.

22 MR. CHAIRMAN: Okay. I have a
23 little problem with the end of year one. You put a lot of
24 reliance on the hotel, which you say can't be completed at
25 the end of a year. As you would be licensed and I presume



1 would be started operating. That sounds kind of short to
2 me, the kind of project you're talking about.

3 MR. RUBELI: I'll accept that.

4 MR. CHAIRMAN: But when is year one
5 in your projection where you get up to two to three and so
6 forth.

7 MR. RUBELI: By the way, on the
8 construction time, we -- we just completed an 1,100 room on
9 our expansion in Laughlin, Nevada. From groundbreaking to
10 opening it was 11 and a half months. So it can be done.

11 MR. CHAIRMAN: No, I accepted that.

12 MR. RUBELI: As of the time of the
13 opening, very precisely 12 months from receiving the
14 license, we can have that hotel open. So year one would
15 commence on the full basis at that point.

16 MR. CHAIRMAN: So really we have a
17 minus one here and over here in one in your projections a --

18 MR. RUBELI: Well, yeah, sort of,
19 because it's very real and necessary to consider. It's
20 really a point half way in between called a temporary
21 operation that we envisioned in the six month time frame,
22 that we have not attempted for obvious reasons to quantify
23 exactly the impact, but we think it could be as much as
24 one-half to two-thirds of year one in that six month period
25 waiting for the permanent hotel and the permanent facility

1 to be available.

2 MR. CHAIRMAN: That's been the
3 experience of other places? I know you haven't had
4 riverboat experiences but you'd had casino experience, and
5 I'm sure that you're aware of the riverboat.

6 MR. RUBELI: Yeah, that's exactly
7 right, and I assure you we've had -- not only had the crash
8 course up to the graduate level, we've had all the different
9 experiences around the country in riverboats. One of the
10 advantages, by the way, of not being in there first, but
11 coming in two years later, is we realized you got to have
12 more than just the barge and the boat because in the end, as
13 Mississippi is showing, in the gulf port area is you can
14 start adding hotels and you start adding other amenities,
15 and they put them in the way of our business, or they pick
16 up and move the boat out.

17 So we have spent a lot of time trying to
18 understand the dynamics of how it works, and get in there
19 the right way the first time, because we have one shot at
20 this and that's it. So we're going to try to go in and do
21 it right and that's why you see the kind of proposal, full
22 scale high quality, that we have that is before you.

23 MR. CHAIRMAN: And to follow-up on
24 the other questions. This five year pay back of the initial
25 loan that is being required, would you financially be

1 obligated to liquidate in that fashion, or is that just
2 something that is a requirement being put upon the local by
3 the --

4 MR. RUBELI: We -- we don't want
5 that at Aztar, no. That's strictly internal. What we said
6 is the parent loans, the original \$99.8 million out based on
7 our cash flow projections after, by the way, ongoing capital
8 improvements each year, which are required as a normal
9 ongoing part of business to keep it up to the same level of
10 quality. Whatever's left over is transferred back to boat
11 parent. Based on our projections it will take five years
12 for us to recover our investments before we make the first
13 dollar of true profit when we're above that initial
14 investment. That's why it's there, but it's not required to
15 be there.

16 MR. HADDOCK: It's -- what you've
17 -- what you've -- what you've seen in the projections is
18 simply a reflection of our intercompany policies in regard
19 to advanced totals, city earnings, and what we we've
20 received. What happens to current level, of course, in
21 terms of this cash flow and cash availability financing is a
22 separate part of what's happening in the operating
23 subsidiary.

24 MR. CHAIRMAN: I guess I still have
25 a problem with this 85 percent occupancy at the hotel. Is

1 that obviously -- you keep citing last year, which was my
2 understanding was just a, you know, dynamite year for
3 casinos and even the hotels are starting to come back
4 programs within, but that that -- that's a very high figure
5 on a traditional hotel operation, is it not.

6 MR. RUBELI: That's the key word, a
7 casino/hotel is not a traditional hotel. It the absolutely
8 a different game, because people are coming there not for
9 the hotel experience, they're coming there for the gaming
10 experience, Mr. Chairman. And this is not unique to Aztar.
11 You can go back to the industry of Las Vegas routinely year
12 after year it is averaging in the very high 80s, and on the
13 strip properties, the low 90s occupancy. You can go to
14 Atlantic City and it wasn't just 1994, 1993 city wide, all
15 12 operators averaged 89 percent occupancy for the full
16 year. CCC reports are available.

17 So it's the casino/hotel that makes it
18 different because the hotel is part of the casino. You
19 market to those customers who come to that party to to enjoy
20 the obvious, to have the fun that -- that gaming is. And
21 then they happen to sleep in that hotel. So one of the
22 cautions would be, you know, the traditional hotel business,
23 and as Bob said we, both came from a company that had it's
24 roots that was in the hotel business, and a big one. It is
25 a lot different.

1 I mean, an average occupancy of 65 to 70
2 percent is considered a good market in the traditional hotel
3 business, but the traditional hotel business is a
4 commercially oriented -- you know, their money and propriety
5 are making a very poor observation. Money and propriety
6 when the businessmen are there, that's when the hotels that
7 are not casinos make their money. On the weekend is when we
8 need the rooms. That's when they have the excess capacity.
9 So the figures rule.

10 It's this energy between where we can most
11 easily fill the casino/hotel is the peak times that occur on
12 the weekends, which is a complimentary relationship for the
13 commercial hotels in town. We're there filling between
14 Monday and Friday, but they can't get anybody to be here on
15 the weekend. And that's how you wind up with higher
16 averages in the industry.

17 MR. HADDOCK: I'm with Cooper's and
18 Widebran, who are the hospitality consultants that have
19 conducted the study course here in Evansville. Their
20 study's not completed and it will be completed and submitted
21 to the Commission around next week. But let me just read
22 you a sort of a bull point of one of their findings. Aztar
23 proposed riverboat casino discussed made a positive impact
24 of occupancies at these -- at these existing hotels.

25 They're talking about the existing supply of

1 hotels, not including our new hotel, but approximately eight
2 occupancy points in 1995, seven points in 1996, and five
3 points in 1997. There are Louisville area riverboat casinos
4 that are estimated over in 1997 there. The point being that
5 our hotel will come into boat market. It will generate,
6 along with the riverboat project, enough occupancy to
7 satisfy and supply that we -- that we provided, and in
8 addition, there will be significant impact on the
9 marketplace for the existing hotels over and above the new
10 hotel we build. And by the way, those findings are
11 consistent with the findings of economic research
12 associates.

13 MR. CHAIRMAN: I think they were --
14 they were 13 percent weren't they?

15 MR. RUBELI: Well, that was our --
16 that was our own business evaluation.

17 MR. CHAIRMAN: I really don't have
18 anything.

19 COMMISSIONER: You're the first
20 applicant I think that we've had so far that hasn't had it's
21 local investors quote, unquote, and a lot of them have been
22 structured similar to yours, theirs just 99 percent on
23 subsidiary. But -- but he said that it been carved out.
24 And I feel as in your particular case, if they want to
25 invest in Aztar that they can buy it from the New York Stock



1 Exchange. But do you have any agreements or any
2 arrangements or any stock options or anything like that that
3 is out there for private individuals to buy special
4 purchases of stock or personal service contracts or anything
5 like that?

6 MR. RUBELI: Other than normal
7 contractors, normal suppliers and business services, we have
8 absolutely no special arrangements with any individual. We
9 were 100 percent owned at Caruthersville projects, and we'll
10 be 100 percent owned on this proposed Evansville project,
11 and it will remain that way.

12 COMMISSIONER: Okay. I just have a
13 couple of questions. One is on the economic development
14 contributions that you've been willing to make, you're at at
15 27 -- \$9 million, and the other applicants were
16 substantially lower. Now, programs within could look at
17 that as a commitment to boat city. I suppose the clinic
18 could say that might be buying the city's recommendation.
19 How -- how would you see it? Was this part of why the city
20 choose you as their preferred applicant?

21 MR. HADDOCK: Well, the city is --
22 will present tomorrow on that issue. You could ask them
23 that.

24 COMMISSIONER: I -- I will.

25 MR. HADDOCK: But certainly the



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1 request for proposal the city initially issued to which all
2 the applicants responded, laid out suggestions by the city
3 or requests by the city about making specific charitable
4 contributions and each company responded accordingly. And
5 then there were subsequent negotiations, and the city wisely
6 asked to up the end, so to speak, and I think certain
7 companies did that in different ways and others perhaps did
8 not.

9 Certainly the whole issue of civic and
10 charitable contributions has to -- has to be considered by
11 the city, but I -- the difference between \$13.4 million as a
12 new contribution over five years and programs within number
13 less could not have. If I had been on that evaluation
14 committee that would not have made the difference.
15 Ultimately what will make the difference here for the city
16 is the combination of those contributions, plus their share
17 of tax revenues, plus the city's lease payments, but most
18 importantly, economic growth in the community and the jobs
19 that will result in that.

20 I -- I believe that that's what's Aztar will
21 be able to do as far as the civic and charitable
22 contributions.

23 COMMISSIONER: I have just two
24 little questions about the site. One is do you have any
25 indication from the Army Corp of Engineers as to how quickly



1 you would be able to do it this? As I understand you're not
2 going to -- actually going to cut into the shoreline. Is
3 that something that's even possible or do you know? I mean,
4 if you pursue.

5 MR. BRZOZOWSKI: Yes. I think it's
6 possible, and it does happen routinely. We've had
7 discussions with the Corp and they've told us that their
8 process takes 90 days or longer. We're -- we're aware of
9 that. We're prepared to work on that immediately. When we
10 get our plans approved we'll accept any recommendations that
11 we have to make our site better. But that's the answer.

12 MR. HADDOCK: The engineering is
13 preferable on our part, but our consultants having been at
14 this now for sometime. Modifications were made, some
15 initial designs, and we've received input and changes that
16 have been perceived to occur in the docking facilities that
17 were shown today are substantially different in many regards
18 than the first and that's the result of consultants and the
19 discussions that we've had with regulatory bodies as well as
20 the -- as well as our consultants. So the project is the
21 clearly doable from the engineering point of the view, how
22 long the Corp will hold --

23 COMMISSIONER: What about from a
24 legal point of view? What if you can't use that site? What
25 would you do? I understand there is a programs within



1 lawsuits regarding the site.

2 MR. HADDOCK: Well, I'm not aware
3 of the lawsuits at all. What -- what -- what we are aware
4 of is the property of the cities and the process of getting
5 the parks use converted and --

6 COMMISSIONER: I thought there was
7 a problem possibly with converting it into the use of that.

8 MR. HADDOCK: Well, it's -- it's
9 been approved by the Department of Natural Resources in the
10 state of Indiana. It's now at the federal level in Omaha,
11 and I think that -- we're certainly hopeful that we -- the
12 city is hopeful that it will be all satisfactory and
13 hopefully shortly.

14 COMMISSIONER: I think there's some
15 objections that have been lodged with the national park
16 services and members of the that park; is that correct? Do
17 you know.

18 MR. HADDOCK: I think there are
19 parties who have lodged objections, that is correct, but
20 nonetheless, I think we're all hopeful that the park service
21 will approve shortly.

22 COMMISSIONER: But would you have
23 an alternate plan?

24 MR. HADDOCK: Yes. There are
25 alternates. We actually have alternate plans in programs



1 within detail. If that becomes necessary we can discuss
2 those with the city, but we hope that it will not be
3 necessary. If it is necessary, we're prepared. So we have
4 designs and we can show them if we need to. I mean, we're
5 -- we're all prepared to take care of that to do the
6 project.

7 COMMISSIONER: Thank you.

8 MR. CHAIRMAN: Any questions down
9 at this end.

10 COMMISSIONER: Would the employees
11 of Evansville operations be entitled to or eligible for any
12 type of profit sharing.

13 MR. BRZOZOWSKI: Yes.

14 COMMISSIONER: And at what level
15 would that be? All employees or --

16 MR. BRZOZOWSKI: All -- all salary
17 employees. Well all -- all of the nonunion employees are in
18 the plan after one year of becoming --

19 COMMISSIONER: Just nonunion?

20 MR. BRZOZOWSKI: That's correct.

21 MR. RUBELI: The issue on the -- we
22 have -- we've got three forms of profit sharing. I want to
23 use that as a generic term. We have an employee stock
24 ownership plan, we stock all participating in nonunion,
25 unless, again the whole issue of the union benefits is

1 subject to negotiation, so at the moment we don't know what
2 extent we participate or not.

3 Number two, we have a profit sharing program
4 to which contributions may or may not be made depending on
5 the decision by the board.

6 Third, the sponsor and -- then try our best
7 to promote a 401 paid program. At the moment, it's a
8 non-mastered program, but it is available to be administered
9 to all people. So everybody here that's after one year,
10 will be eligible for union and will be subject to union
11 negotiations.

12 COMMISSIONER: What -- what did you
13 say was your goal on what good and services in women's
14 businesses enterprises? What was the percentage you will
15 use.

16 MR. RUBELI: Well, I think
17 Indiana's goal is five percent for women, and 10 percent on
18 the minorities. Mr. Vowels, our goal is to achieve the
19 Indiana minimum and then exceed. Five percent for women,
20 ten percent for minorities is the statutory goal, but I
21 would point that in Atlantic City, for example, we operated
22 successfully in '94 with 21 percent purchases against a goal
23 of 15 percent. So we're actually 40 percent higher than the
24 goal. And certainly our past track record, as we've
25 described for those kinds of performances are over and above

1 the minimum, so is the minority hiring on the WBE/MBE
2 programming. But other than our being with the city, we're
3 obligated to strive for the minimum.

4 COMMISSIONER: For five percent?

5 MR. RUBELI: Five percent for women
6 and ten percent for minorities, and we intend to exceed both
7 by, I think a fair margin.

8 COMMISSIONER: Another question. I
9 wasn't a gambler before I got on this commission so I have
10 no idea. How many slot machines and blackjack tables are in
11 -- on board on the casino? Going through this I added up
12 to be 55 blackjack tables and 1,250 slot machines; is that's
13 correct? My question is how does that compare with the
14 number of slot machines and blackjack tables on your land
15 bases.

16 MR. RUBELI: Well, the number of
17 slot machines here is 1,250, and you were correct on the
18 blackjack. So our proposal here is 1,250 slot machines and
19 70 table games. We have in Atlantic City 2,800 slot
20 machines and 90 table games. We have in Las Vegas, Nevada
21 1,550 slot machines and about 45 table games. We have in
22 Laughlin, that place nobody knows where it is, 1,600 slot
23 machines and about 35 table games.

24 COMMISSIONER: All right. In
25 reference to -- you mentioned earlier about a line of credit



1 for \$13.4 million, and it's the view of National City Bank
2 is who that it goes through. It's not really for that
3 particular bank so --

4 MR. HADDOCK: Actually we've put
5 out a request to speak with proposers of all three banks.
6 The first time that we've sort of turned on, and all -- all
7 three banks responded and we took the best offer.

8 COMMISSIONER: All right. Have you
9 made any promises or agreements to any other financial
10 institution or made deposits other than to National City in
11 this in fact, bring.

12 MR. HADDOCK: Agreement to make
13 deposit? Oh, no. In Evansville you mean?

14 COMMISSIONER: Yes.

15 MR. HADDOCK: No.

16 COMMISSIONER: And another quick
17 question. In this part of the Indiana Code required by the
18 Gaming Commission, none of our parents, spouses or children
19 can have any financial interest or be employed by any -- any
20 licensee. Let me ask you this question. Have there been
21 any promises made for any future employment from the city
22 officials, county officials, any members of Riverboat Casino
23 Evaluation Committee or their parents, spouses or children?

24 MR. HADDOCK: Absolutely not.

25 COMMISSIONER: And you promise the



1 Commission that those will not occur.

2 MR. HADDOCK: Yes, sir.

3 COMMISSIONER: Okay. I have just
4 one more quick question. Reviewing the material that you
5 submitted to the Commission, it appears to be that are
6 numerous lawsuits essentially personal injury suits pending,
7 and quite a number. Here, let me ask you a couple of
8 questions along that line. Does that mean that your
9 particular of the case, and that you'd take the long
10 distance approach in settling that case, or does this give
11 us some indications of programs within safety problems in
12 programs within facilities? I just see page after page of
13 personal injury lawsuits.

14 MR. HADDOCK: Okay. I think it's
15 -- I think it's neither of those. And we have confidence
16 that it's neither of those. The safety, as we pointed out
17 in the presentation, is a very important issue to us and
18 we're not. It's just a normal course of business. When you
19 have many people as we have in our facility, and we have
20 very big facility, we have lots of people coming to them and
21 this is a just a normal course of business. Particularly, I
22 think it is true back -- back east where there seems to be
23 more propensity for people to be injured for whatever reason
24 there is.

25 MR. RUBELI: We are not the biggest

1 company, but unfortunately we have programs within citizens
2 in this in fact, bring country that that make a living doing
3 this. And that's another fact of life in the hospitality of
4 this industry.

5 COMMISSIONER: All right. Then if
6 you do settle the case, it is because --

7 MR. RUBELI: In fact, I will state
8 this with clarity. It's our purpose to settle wherever it's
9 possible. Our attorneys make enough money the way it is.

10 COMMISSIONER: I don't know about
11 that.

12 COMMISSIONER: The boat that was
13 pictured in the slides, is that the boat from
14 Caruthersville, Missouri or the boat for Evansville,
15 Indiana.

16 MR. RUBELI: The boat pictured in
17 the slide is for Evansville, Indiana it is architecturally
18 precise, except pilot house is supposed to be in front of
19 the stack instead of in the back of the stack, isn't that
20 correct?

21 MR. HADDOCK: But the photographs
22 -- are you talking about the photographs?

23 COMMISSIONER: Yeah.

24 MR. HADDOCK: The photographs are
25 of our boat for Evansville.



1 MR. RUBELI: Oh, I'm sorry.

2 COMMISSIONER: So the boat for
3 Evansville is constructed to the point that we saw.

4 MR. RUBELI: Evansville is beyond
5 that point because they were taken a month ago or so, guys?
6 It is? I'm sorry. That boat in the picture under
7 construction is the boat for Evansville and it was taken
8 about a month ago.

9 COMMISSIONER: When Aztar uses the
10 term minority, does that include women?

11 MR. RUBELI: Does it what?

12 COMMISSIONER: Include women?

13 MR. RUBELI: No. I can tell you it
14 includes the four defined categories of black, Hispanic,
15 Oriental, and American-Indian.

16 COMMISSIONER: Tomorrow would you
17 be prepared to discuss the financing of your temporary
18 operation? I don't believe I heard anything about that
19 prior to today.

20 MR. HADDOCK: Sure, absolutely,
21 sure.

22 MR. CHAIRMAN: Anyone else have
23 anything. We're running behind -- significantly behind, but
24 we will now at this time take a break and come back for the
25 presentation of Evansville Landing. I would thank the Aztar



1 people. It's been most informative.

2 (Thereupon, a break was taken;
3 after which, the proceedings
4 continued as follows:)

5 MR. CHAIRMAN: We again have a
6 request from the court reporter that those people who are
7 going to respond or speak first state their names so that
8 our record can be complete, and we won't be put in the
9 position of trying to guess who it was that spoke.
10 Particularly, I guess there have been changing of the
11 seating and it's sort of confusing. So with that request we
12 will proceed then with the presentation from Evansville
13 Landing, which should put us -- lunch recess at
14 approximately 1:22 or something like that. So we'll proceed
15 then with Evansville Landing.

16 MR. MONTROSS: Chairman Klineman,
17 members of the Commission, Mr. Thar, good morning. My name
18 is Scott Montross, and I'm a lawyer from Indianapolis. I'm
19 pleased to have the opportunity to speak to you this morning
20 on behalf of Evansville Landing. I would first like to
21 introduce to you quickly, individuals who are here on behalf
22 of Evansville Landing with me. In the interest of time I
23 would simply ask if they would signify, at least by raising
24 their hand an acknowledgment so you will know who they are.

25 First, I'd like to introduce Mr. Herb Simon



1 Steve Simon, Nick Pritzker, president of the Hyatt
2 Development Corporation, Glenn Schaeffer, principal of
3 Goldstrike Resorts, Greg Solomon of Goldstrike Resorts, Mr.
4 Tinkum Veal, owner of Ellis Park, Dan Harrington, president
5 of Ellis Park, Bob Gailbach of Tinkum Veal Investment, Dan
6 Azark, vice president of Hyatt Development Corporation,
7 Richard Schultz, vice chairman of Hyatt Development
8 Corporation, Andrea Stern, director of Hyatt Development
9 Corporation Jeff Cohen, co counsel, Phil Brooks, local
10 consultant, Roger Kline and Matt Road Hotel and Marketing
11 consultants Mark Oliver, director of the corporate affairs
12 and Developmental Relations for Simon, Dave Quant, SEG
13 Engineering, Greg Stopher of SEG Engineering and Carl
14 Health, local counsel.

15 Members of the Commission, just as this
16 process was new to you in Gary, so it is new to me. In my
17 law practice, I represent clients in jury trials and make
18 presentations of evidence to juries and discuss with the
19 jury and argue for a verdict in favor of my client. It is
20 my perception and my belief that you, the Commission, are
21 indeed a jury, and I am here to speak to you today. I
22 believe you will find at the conclusion of the presentation
23 of Evansville Landing, that the facts and evidence taken
24 with the law applicable to the issue before you, will result
25 in a verdict in favor of Evansville Landing.

1 In jury trials, I make an opening statement.
2 The evidence is then presented to the jury, in this in fact,
3 bring case to the Commission. And then on behalf of my
4 client, I have an opportunity to the return and make a final
5 argument. That is the approach we will take during our
6 presentation here this morning. As the jury, I cannot envy
7 you, your attacks from Gary to Evansville to Lawrenceburg to
8 points in between, your charged with the responsibility of
9 carrying out the will of the people of the state of Indiana
10 as reflect by the statute passed by the legislature of the
11 state of Indiana.

12 I thought it was very well put by one of the
13 applicants in Gary when it -- when it was stated to you they
14 believed you were about to take on a partner. We believe
15 after you hear the evidence, you will find that Evansville
16 Landing is that partner. But in making boat selection and
17 reaching your decision in choosing the applicant to carry
18 out the intent of the statute, legislature and people, there
19 is one overriding consideration. This Commission cannot
20 afford to make a mistake. You have to make the right
21 decision.

22 We believe you will find the evidence in this
23 case. We'll show you that joining with Evansville Landing
24 will ensure the success of riverboat gaming in Evansville.
25 I think you'll be impressed by the evidence as it relates to



1 the four principals in Evansville Landing and what they
2 bring to this hearing and what they bring to you, the Gaming
3 Commission. Boat four principals, of course, are Simon,
4 Goldstrike, Hyatt and Ellis Park. The areas that are so
5 important to this Commission gaming, generally, Goldstrike.
6 Riverboat gaming, Goldstrike, and Hyatt as you will hear
7 with regard to the Grand Victoria riverboat and it's
8 success.

9 Evansville gaming. No one is more familiar
10 with that than Ellis Park. The hotel and convention
11 business, Hyatt. And economy, economic development, retail
12 development, Simon. Members of this Commission, there are
13 consultants associated with Evansville Landing. We stand
14 here before you with the expertise that was specifically
15 matched to Evansville, not to Gary, not to Lawrenceburg, not
16 anywhere else, but specifically matched here for
17 Evansville.

18 I believe that when you carry out your
19 charge, under the statute and under the law, with regard
20 experience, reputation, integrity and financial strength,
21 that you will look no further. You need look no further
22 than the partners who are with Evansville Landing. As in a
23 jury trial, I will have the opportunity to return to you at
24 the conclusion of the evidence, and at this time I would
25 like to show a video on behalf of Evansville Landing to give



1 you, the Commission a clearer picture of just who is
2 Evansville Landing.

3 MR. SCHAEFFER: My name is Glenn
4 Schaeffer. I'm one of the principals of Goldstrike Resorts,
5 one of six principals who possessed among us, between us 100
6 years of senior management experience in the gaming
7 industry. Collectively, at Goldstrike and in prior roles,
8 three of us were formerly senior management of Circus
9 Circus. We have developed more operating capacity in the
10 gaming industry, that's new hotel rooms, that's casino
11 space, than any other team in the industry today over the
12 past 15 years.

13 Let me describe our specific proposal for
14 Evansville. Our intent is to develop a three part
15 entertainment project for players and destination visitors
16 of the city of Evansville. First, we will construct a
17 casino riverboat with a historic theme. This vessel will
18 handle approximately 1,500 passengers per cruise. It will
19 have approximately 25,000 square feet of casino space, and
20 will accommodate approximately 1,200 gaming positions. I
21 need at the outset to clarify a couple of points. Do not
22 let my competitors construction of an oversized vessel argue
23 for any extra advantage as to obtaining market share.
24 That's not the way that this business works.

25 If you look at the Emperous, which operates

1 in Chicago, greater Chicago metropolitan area, we can
2 exhibit that a year ago the Emperous, which is still today
3 the largest producing vessel in the industry in terms of
4 casino revenue. The Emperous has casino operating capacity,
5 but is approximately equal to the vessel that Evansville
6 Landing is proposing here in the city of Evansville. And
7 you can see those results from fiscal 1993 at the
8 Imperious. A second point is that our casino vessel in
9 Elgin, Illinois, the Grand Victoria, has revenue figures
10 that are pretty close to the Emperous while handling the
11 exact number of passengers per cruise that we propose here
12 in Evansville.

13 Our vessel, by these real life measures, is
14 the right size for the Evansville market. It is not sheer
15 size or number of casino units that equates with market
16 sharing in business. It has not been so. It's not the case
17 in casino vessels. It has not been the case in the
18 traditional market of Las Vegas or Atlantic City. Well,
19 what equates with market share is the best casino operator.
20 That is the most reliable correlation. In a moment we will
21 discuss other factors that tell us a lot about market
22 sharing. As to our proposed riverboat, the Evansville
23 Landing team can claim real-time experience in building a
24 highly successful model, the Grand Victoria in Elgin,
25 Illinois is considered today our leading edge product in a

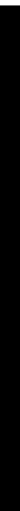


1 national market of casino vessels.

2 As to our marketing, in it's first 90, it's
3 first quarter of operations, that's October 1994 to January
4 1995. The Grand Victoria has an entertainment pavilion. We
5 also operate a foremost example of a pavilion in the country
6 today, again, at Elgin, Illinois. Our studies show us that
7 customers value the total environment of a gaming trip. So
8 of the Grand Victoria, we just slightly lifted up the level
9 of the entry and departing department associated with the
10 casino cruise.

11 Our Evansville model for our proposal
12 contains a 30,000 square foot, two level interior
13 environment featuring a handsomely finished public atrium,
14 sports bar, restaurant facilities, ticketing services, and
15 terraces serving up both refreshments and views for waiting
16 customers and players. Thirdly, and perhaps the most
17 critical. We propose to operate a Hyatt hotel in downtown
18 Evansville, the leading brand name in national hospitality
19 today. A brand name, by the way, that connotes a
20 destination city like no other name. My partner, Nick
21 Pritzker will comment later at further length about this
22 hotel.

23 Hyatt hotel will anchor one end of a
24 corridor, that bounded by our pavilion and vessel at the one
25 end, replicates the basic corridor model for urban renewal



1 found elsewhere in the United States as Old Crowes, like
2 Hyatt and Simon can attest. Neither of the other two
3 occupants can claim any substantial experience in downtown
4 developments, and only our proposal contains a true downtown
5 inkling, which is, typically a brand name hotel with the
6 ability and the operating capacity to attract a diverse
7 market, tourists, conventioners, business meetings and
8 business travelers.

9 This is a customer mix at the core of
10 downtown with six blocks back of the river for which all
11 good things begin to happen. We have forecasted a mark of
12 casino revenue in Evansville in the range of 70 to \$80
13 million. In our submitted figures to this Commission, we
14 indicated initial casino revenue of 65 to \$70 million with
15 five to \$7 million per annum in admission revenues to the
16 vessel.

17 For the purposes of accuracy, casino and
18 admission revenues should be counted together. They come
19 from the same pocket of a player at the casino, and this has
20 proved so in Elgin, Illinois where we have dropped our
21 admission charge, paying the state's admission tax
22 ourselves, and have permitted our customers to spend all of
23 their entertainment dollars in the casino. Our estimates of
24 market size derived principally from comparable cases in
25 Illinois where we can see a run of experience in regional



1 marketplaces of similar population. We may well achieve a
2 higher revenue than this. Dynamic forecasting techniques
3 gave us market bounds, if you will, sorted between 60
4 million and a hundred million dollars with a bulge where
5 more likely placements go, following the 70 million to 80
6 million plus range.

7 It's unlikely, however, that our competitor
8 Aztar's estimates are accurate, but we're not going to stand
9 before you and try to convince that Chicagoland and
10 Evansville are equal markets. You can see that today the
11 only cruising vessels in the United States with higher
12 casino revenues than the projections you most recently heard
13 are any large markets. Chicagoland, where you have 80
14 million plus within a 50 mile radius. I offer three in
15 Freeport and draw principally from Dallas, Fort Worth area
16 and Player's in Lake Charles.

17 Player's is going to follow me this
18 afternoon, and I'm certain they can speak for themselves,
19 but I will indicate that the Player's boat in Lake Charles
20 is serving a dedicated market. If you want to gamble in a
21 casino and you live in the Houston area, that's what these
22 numbers reflect in the month of December, you have one place
23 to go and that's the Player's boat in Lake Charles.

24 In the instance of Evansville, that's more of
25 what we call a partitioned market. You have boundaries on



1 several sides of you. You go -- you don't have to go very
2 far to the west and you bump into boat Player's Metropolis
3 marketplace. We are well covered to the north with casino
4 vessels. And from the standpoint of Louisville, it is our
5 impression that there will be multiple competitors from the
6 Louisville market, which in any case is not nearly as large
7 as Chicago or the two major Texas cities. But our
8 understanding is that Lawrenceburg will have a license.
9 It's 45 minutes closer, a lot better road, and we understand
10 our Harrison County bidders before the state. So we do not
11 consider Louisville to be a dedicated market.

12 If it is the contention that our competitor
13 understand something that we don't, a rather odd
14 proposition, since they are the only applicant before you
15 today with zero riverboat marketing experience, I can
16 respond with programs within convincing statistics. It is
17 clear that with a limited number of casino licenses in your
18 state that there is a desire to make sure that each one is
19 maximumly productive. What will determine the most valuable
20 outcome for the state, the most secured jobs, the most
21 reliable streams of tax revenue, the long run profits to
22 support constant reinvestments? That outcome will come via
23 the licensee that's been established, a power competitive
24 position in the Evansville market region.

25 Boat best evidence for who will perform this



1 feat comes from historical performance. The regional
2 Evansville market is a given. It is not vastly bigger in
3 any competitors case simply because they say it is. The
4 company that will deliver to the city of Evansville and
5 state, the biggest long term sharer of the potential
6 regional market will possess superior competitive revenues
7 period. Someone with proof of performance. There are just
8 a few broadly accepted measures for competitive position,
9 foremost, the notion of operating profit margin.

10 Professor Michael Porter of Harvard Business
11 School, considered today to be the leading scholar of
12 business strategy. He's written a bestselling book. He
13 holds that operating margins are the true shorthand with the
14 prime feature of competitor position, which are cost
15 leadership, grand loyalty, product or service difference,
16 and share of market. Let's look at the averages operating
17 the profit margins over the past two to three years.
18 Solomon Brothers, who is already represented here today and
19 has prepared this data for the presentation.

20 If you look at the main casino companies, the
21 average operating profit margins over the past three years
22 for the latest reported year these are how the numbers stack
23 up. One of my competitors for the Evansville license,
24 Player's, is not ranked because they do not yet have three
25 years of operating history. Goldstrike, as you can see, is



1 one of the most profitable companies in the gaming
2 industry. This data is derived from a set of 22 pure
3 companies.

4 Further, Bruce Turner, who was referenced
5 earlier in today's presentation, or one of today's
6 presentations research analyst of Solomon Brothers, predicts
7 that Goldstrike in the coming year will be the most
8 profitable company in the gaming industry. We will be
9 number one, neck and neck by the way and in the interest of
10 full disclosure with our competitor, Player's. You can see
11 the Circus Circus, which is a much larger company and one of
12 the greatest principals of Goldstrike, served the senior
13 former roles of our corporate history say, is likewise an
14 elite performer.

15 Professor Porter tells us that if your
16 markets are seven to ten points above industry averages, you
17 are an elite competitor. You have claims to market. The
18 fact is that competitive position and long term market share
19 are forcefully linked. Given that profitability is the
20 indicator to competitive position, the record shows that
21 boat performance belongs to Goldstrike and it's management
22 team. So the financial underpinnings should be another
23 consideration in your choice.

24 Solomon Brothers will attest that Goldstrike
25 by itself possess the most financial power of any applicant



1 appearing before you today. That power, by the way, is
2 related to profitability again and linked with history of
3 performance. Here's the Evansville Landing partnership.
4 Goldstrike is only one part of a premium team. Hyatt, the
5 Simon's and Ellis Park are each substantial financial
6 entities in their own right. And financial might is the key
7 ingredient to competitive staying power.

8 So now are Evansville Landing partnership is
9 prepared to finance and stand behind this project on a
10 permanent basis by several means. We can do it all with
11 cash. In Elgin, Goldstrike and Hyatt just completed the
12 \$110 million Grand Victoria program by this very method, all
13 equity. Alternatively, we can finance this project with a
14 combination of our cash and debt provided to us through the
15 agencies of leading investment banks and commercial banks.

16 I will submit to this Committee, to the
17 commission today highly confident letters to this effect,
18 signed in one instance by Mr. Newby the Bank of America, the
19 leading commercial lender to the industry today and another
20 fine officer of Solomon Brothers. Let me review the capital
21 investment of our project. Boat heart of the project, the
22 boat, the entertainment pavilion, and importantly, \$15
23 million into the Executive Inn that turns it into a Hyatt
24 Hotel. Our total investment, approximately a hundred
25 million dollars, bearing that we have our civic



1 contributions and profit sharing, there accounting for
2 something over 22, 23. So hard dollars, we're looking at
3 number in the upper 70s.

4 What does Evansville and the state receive by
5 being our partner? We're all paying gaming taxes here.
6 There will be admission tax. There will be a ranking set of
7 contributions, with our opportunity to sit down with the
8 city if we're awarded the license. The key thing in our
9 proposal is the profit sharing fund. This in an innovative
10 wrinkle that we developed in Elgin, Illinois, where, as we
11 build up the market and build up our profits, our success is
12 directly shared with the city. We have offered the city of
13 Evansville ten percent of our net operating income.

14 You can see the sort of leverage that you
15 have in the profit sharing fund. You can see that the
16 number of the casino the revenue is 70 million, predict
17 about \$60 million over the first run within the license to
18 the city, going up to if the markets a hundred, \$13
19 million. I referred a minute ago to the overall theme of
20 our proposal to the state and city. We call the proof of
21 performance guarantee and it's ingredients are these. We at
22 Evansville Landing provide premier management skills in
23 gaming demonstrated by actual historic results, and it's
24 been recently proven again with our success with the Grand
25 Victoria in Elgin, Illinois, that we know what we're doing.



1 We provide substantial deep financial
2 resources. We provide staying power with our team, and we
3 have character that you've seen come through before on your
4 home ground. We believe that we'd provide the most net jobs
5 to the city of Evansville and the state of Indiana because
6 of the conversion of the Executive Inn to the Hyatt Hotel,
7 and that we present the most sensible model of downtown
8 revitalization with a two anchor corridor.

9 By the way, of the applicants appearing
10 before you today, we are already the largest employer of
11 Hoosiers, more than 3,000 are in our employ today. We are
12 already a preferred employer in the state of Indiana. We
13 provide solid share of the upside of our success as an
14 ongoing contribution to that city by virtue of our profit
15 sharing fund. And not least, we provide a willingness to
16 get going, because we are fresh and the biggest new success
17 in the U.S. casino riverboat market at Elgin, Illinois and
18 we are ready to duplicate it. At this time, I'd like to
19 introduce Dan Azark, vice president of Hyatt Development
20 Corporation.

21 MR. AZARK: Mr. Chairman and
22 members of the commission, good morning. My name is Dan
23 Azark. I've worked for Hyatt Development Corporation for 17
24 years, and in that time, have managed many developments for
25 my company. Most recently, I had primary development



1 responsibilities for managing our riverboat casino in
2 Illinois. The Grand Victoria that Glenn told you about is a
3 very large Coast Guard certified vessel that we built in
4 Illinois in about ten months. At the same same time we
5 built an 88,000 square foot pavilion and a very large
6 parking garage.

7 Our experience in Elgin and elsewhere forms
8 basis of our expectations for Evansville. We have
9 experience both in dealing with the Corp and with the Coast
10 Guard, with state at local agencies as well. We work
11 cooperatively; we're team players. This is a slide of our
12 site plan for -- for Evansville. Our development plans
13 reflect development of Riverfront Park. The city's first
14 choice of a location, and we agree that this is the best
15 location because access is good and the neighborhoods may be
16 less infected by traffic.

17 We've planed our primary parking lot across
18 the street from Riverside Drive connected to the pavilion an
19 overhead walkway. Employee and overflow parking in peak
20 periods will be accommodated in remote lots and in the
21 Executive Inn parking lots. These lots are -- are -- or
22 the peak periods are really evenings and weekends at the
23 same time these other lots are not operating at full
24 capacity. It makes sense to use that. We've not optioned
25 land. We do not have to rationalize one study versus



1 another. If either location -- if the Corp or the city
2 decides that this location is not suitable, we have no
3 reason to rationalize this site. Frankly, we think the
4 location of the hotel is more important than the location of
5 riverboat on either side of Dress Plaza.

6 The dock design you see is the safest and
7 most secure of all the plans that you'll see here in
8 Evansville. We provide emergency access to both sides of
9 the vessel. And you note that the vessel is protected from
10 downstream traffic and upstream traffic. You might ask the
11 commercial operators about the possibility of a upstream
12 incident. This is a simple side version of our project
13 schedule. It indicates what we believe to be the critical
14 dates, starting with the decision of this Commission later
15 this month. The schedule assumes that quorum and the
16 Department of Natural Resource permits will take four to six
17 months.

18 What's important to realize here is that as
19 of today, no applicant has an advantage in project
20 schedule. All of this required Corp permits. All of us
21 have filed Corp permits, and the Corp is not going to
22 process a permit but it didn't only you make your decision.
23 We and one other applicant have filed with DNR for
24 construction of the floodwing, and they're currently being
25 processed and currently with the Corp. We've reviewed our



1 site approach with the Corp and the Coast Guard and with Ice
2 Committee representatives. Reports see no reason why this
3 further process should be complicated.

4 We've also met independently with Deak & Erve
5 regarding the park conversion process and we believe
6 conversion will have no interference, and we've consulted
7 with Steven & Nickle regarding a construction of the
8 permanent mooring site. The permanent dock will take about
9 three months to construct. The rest of the permanent
10 improvements will take about six months after receiving the
11 Corp permit. And as you can see from this schedule, the
12 design is it not on a critical path.

13 But let me address the question who can be in
14 operation most quickly, if indeed this is the key criteria
15 for something important and a long term decision. We've
16 discussed with boat Corp boat possibility of a temporary
17 docking location. Our engineers have analyzed four such
18 sites. In the event that a mooring site can be permitted
19 and constructed expeditiously and without compromising
20 safety, we will operate a temporary facility. A temporary
21 location in all events will require Corp approval, which
22 approval will take months.

23 Even docking a riverboat at the marina will
24 require Corp permits, and I do not believe that the permits
25 that have yet been filed for the marina today that would



1 actually allow the operation of a gaming vessel. If we're
2 able to operate a temporary facility, we intend to lease an
3 existing vessel and operate it on an interim basis. As you
4 know, and it's common knowledge in the industry, there are
5 currently more boats floating around than are places to park
6 them. American Marine is selling two, Bob Keal is building
7 two months back and a number of gaming companies will build
8 boats that they currently cannot use.

9 We have an agreement, we have an option with
10 Argis & Gaming to use one of their vessels in the event that
11 a temporary location is available. Our assumption is that
12 it will take a minimum of seven to nine months to permit and
13 construct a permanent dock. Our vessel designed by Rodney
14 Lade will be purchased and constructed in ten months. We
15 will bid our plans in Indiana and elsewhere. Jeff Boat has
16 advised us that they have current capacity to commence
17 construction. And assuming they're competitive, and they
18 assure us they will be, we'd like to build our boat in
19 Indiana.

20 Again, we intend to be operating this vessel
21 in Evansville by the end of this year. Finally, and equally
22 important, we believe that we can have the Executive Inn
23 refurbished and reopened by the end of this year. The
24 schedule of every applicant is equally dependent on four
25 approvals, and we feel that six months is a reasonable



1 amount of time to expect for the processing of these
2 approvals, but it if comes more quickly, we're ready to
3 proceed.

4 We expect to be operating from our permanent
5 location three months of after receipt of Corp approval.
6 Our permanent improvements will take about six months after
7 Corp approval, and the renovated convention center and Hyatt
8 Hotel will open within a year of finding a suitability, and
9 I believe this is a year or two earlier than any of the
10 other commitments that has have made to you. I now would
11 like to introduce Dan Harrington, president of Ellis Park.

12 MR. HARRINGTON: Mr. Chairman,
13 members of the board, good afternoon. My name is Dan
14 Harrington. I am president of Ellis Park Race Course. As
15 most of you know, Ellis is located less than ten minutes
16 from where we are meeting today. Ellis is actually on the
17 north shore of the Ohio river, closer to Evansville than any
18 other community. Ellis has been a part of the Evansville
19 entertainment scene for over 60 years. We draw 400,000
20 patrons each year from all over the region. From Louisville
21 to Nashville to Paducah and even Indianapolis.

22 We are one of the largest employers in the
23 region. Of our 600 employees, about half are from Indiana.
24 Mostly right here in Evansville. We buy about six and a
25 half million dollars a year in goods and services from



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1 Indiana suppliers. We are a part of this community, we
2 contribute to this community. This community is important
3 to our well being. In recent years, we in the parimutuel
4 business have witnessed a powerful new business arriving in
5 the form of riverboat gaming. Programs within of our
6 industries have sought to ignore it, programs within have
7 sought to fight it. Programs within have embraced it as a
8 complement to our existing way of doing business. We fine
9 ourselves in the slots category, and let me explain why.

10 When the Player's riverboat opened a hundred
11 and thirty miles away from Metropolis, we felt an immediate
12 negative impact on our business because patrons left
13 Evansville and went to Metropolis; however, now it's our
14 turn to draw people to our community. We view this as an
15 opportunity for Ellis and other Evansville area businesses.
16 When Indiana passed riverboat legislation, a number of
17 gaming companies came knocking on our door. Most of the
18 applicants in Evansville approached us to venture with
19 them. Programs within did so because they saw our track as
20 a potential competitive threat to investments in
21 Evansville. This is understandable. This is why Player's
22 acquired bluegrass downs in Paducah, which is across the
23 river from their Metropolis riverboat.

24 This was not, however, our primary
25 consideration when it came to choosing partners. Our goal



1 was to select partners with a business philosophy that was
2 most compatible with our own. We see in this in fact, bring
3 development a great opportunity to market an Evansville
4 entertainment package that includes a race track, a
5 riverboat, and a hotel and convention facility. Ellis'
6 competition is not Evansville. Evansville's competition is
7 not Ellis, it is Paducah, it is St. Louis, it is all the
8 other gaming markets as they open. We need to market
9 cooperatively to maximize our region's advantages. As a
10 partner in Evansville Landing, we bring three valuable
11 asset. First, we have an existing knowledge of this
12 region's gaming market. This includes a database to draw
13 from immediately.

14 Secondly, we have the ability to cross
15 markets to the riverboat and the hotel and to create
16 entertainment venue that will draw people here and keep them
17 here longer. Thirdly, we have strategic value to our
18 partnership and to the state of Indiana, should Kentucky
19 respond. We have \$25 million invested in Ellis, which
20 relies on the Evansville community for its well being. We
21 also have an equivalent share in Evansville Landing which is
22 a hundred million dollar investment. Any investment that we
23 would make at programs within point in the future in
24 Kentucky would be done to complement and protect our
25 existing Evansville businesses, and to further enhance the



1 ability of our Evansville market to compete with other
2 gaming markets.

3 The view of our partnership is that
4 Evansville should not compete with Ellis. Evansville needs
5 to compete with Metropolis, Louisville, and St. Louis. We
6 asked ourselves when making our choice of partners, who is
7 best suited to compete over the long term? Who has the
8 business philosophy and the reputation and strength to
9 survive and thrive in this in fact, bring evolving
10 environment? We decided that the owners of Goldstrike,
11 Simon, and Hyatt were such partners. We believe we have
12 chosen well. Thank you, and at this time I'd like to
13 introduce Herb Simon.

14 MR. SIMON: Commissioners, thank
15 you for having us here. I would like to just pick up almost
16 -- and where Ellis just left off, and that was one of our
17 major considerations being involved with a group of partners
18 that we feel this venture has. Very impressed with
19 Goldstrike and Ellis, and I've -- I guess our families with
20 the Pritzker's we've had relationship for over 20 years. So
21 I really feel very good about the partners, because when we
22 added our name to it, since we're the most local, I guess,
23 in the sense that Indiana is our home, that we want to be
24 sure that we can live up to every commitment we make to the
25 Commission, to the state, and to the city.



1 So that was a very big consideration for the
2 family to have the right set of partners and I am very
3 comfortable with what we have. I also mentioned Indiana
4 being important to us since we're basically in the retail
5 shopping business, to be involved in gambling seems at first
6 far fetched, but if we were going try to get into this
7 business, where else but Indiana, which has been so good to
8 us, and we hope we've been good to it also.

9 With over 22 projects of a thousand people
10 with a major development in downtown Indianapolis, which
11 really tested the public, private relationship, 15 years,
12 three mayors, four governors, both parties, and programs
13 withinhow we survived and in the good times and the bad
14 times, and that's why I think we're talking about
15 partnership with the state, with the city, that we'll be
16 there in good times and bad times and we have to look up to
17 our commitment. So thankfully, with the help of 13 of the
18 leading companies in Indianapolis, with the great help from
19 the -- the city and the state, the realty of the urban
20 redevelopment in Indianapolis will be opening this year, so
21 I hope I see you there at the opening. So I'm -- I'm very
22 happy to make my first venture into gambling in the state of
23 Indiana.

24 And a third thing that I thought was
25 important for us is that we didn't want to just be a token.



1 We didn't want to just go into a venture where we had
2 nothing to add. So one of our considerations was to get a
3 substantial -- have substantial say in the partnership. And
4 with 425 percent position we'll all have something to say so
5 we that we all can live up to our commitments. And I also
6 wanted us to have programs some expertise that would be
7 added to this venture. And as you know, the shopping
8 business, it's going through an evolution, almost a
9 revolution. Things are changing very dramatically, and we
10 have spent a great deal of our time, my brother and I,
11 especially trying to marry entertainment with shopping,
12 because we think the synergy there is very great.

13 We tried this first in the Mall of America in
14 Indianapolis where we put a major mall together with a major
15 entertainment, family entertainment parlor and it has been
16 very successful. We also in Las Vegas, right next to
17 Caesar's and -- between Caesar's and Mirage, we married
18 retail to very successful gambling, and that's worked out
19 tremendously. So we -- we have a lot of opportunity to find
20 out about the latest things in entertainment, family
21 entertainment, and we feel that, obviously we can't compare
22 this market with other markets, but there are new ventures,
23 new venues coming through all the time, and we have a chance
24 to look at it. And though I have indicated this that we are
25 very excited to be part of this group. I'm very excited to



1 be working with my son Steve, who has been doing a lot
2 of work here, and we'll continue to make sure that we live
3 up to our commitments. And I just appreciate the
4 opportunity. Thank you.

5 MR. PRITZKER: Good afternoon. My
6 name is Nick Pritzker. I'm the president of Hyatt
7 development corporation, one of the partners in Evansville
8 Landing. I want to thank Herb for his comments. It is true
9 that my family and the Simon family have had many
10 relationships over many years. Our relationship with the
11 the Goldstrike organization is not quite as long, but we
12 have had a wonderful partnership with them and we have
13 become close friends and close associates. It turns out
14 that probably our oldest association is with Tinker Vealum.
15 I find that he ran into my uncle in a project about 50 years
16 ago, and my uncle gave -- gave him at that time I gather,
17 programs within fatherly advice, and I hope it was not as
18 rough as the advice that he gave me many times while he was
19 still alive. But this is a, personally speaking, a
20 remarkable group of people to be working with, and we're
21 proud to be here in Evansville.

22 Ladies and gentlemen, about a year ago I was
23 here in Evansville in front of another commission presenting
24 our financial and our proposals in this development. We
25 hope that the result of your deliberations will be



1 different, and we a think that it should be. Our proposal
2 for this city included the 256 room Hyatt Hotel, but
3 deferred construction of that hotel but it didn't only
4 market conditions could warrant more hotel rooms in
5 Evansville. In response to a number of comments the
6 question of the sincerity of our commitment, we attempted to
7 clarify our position by outlining four specific conditions,
8 any one of which would trigger the construction of the new
9 hotel.

10 Our hotel proposal was linked to the
11 philosophy that underlies our application, and that is the
12 real economic development is the intent of Indiana's gaming
13 legislation. The real economic development means that boat
14 community at large should benefit. We do not find it
15 rational to build a brand new hotel where the market cannot
16 support such development, and more importantly, where such a
17 construction may cripple existing businesses. We are trying
18 to be realistic. We are proposing to the Commission today,
19 at you consider several important factors that are not
20 implications to our application.

21 You will recall what we submitted in
22 amendments to our application in the last meeting, but the
23 Commission was concerned that such a new submission might
24 delay these proceedings. The amendment that we wish for you
25 to consider involved our purchase and renovation of the



1 Executive Inn and its operation as a Hyatt Hotel. In our
2 presentation to the city a year ago, we told our desire to
3 protect the Executive Inn. In fact, over the last year, we
4 have had ongoing discussions with the owners of that
5 property. During this time, they continued their efforts to
6 sell the hotel, but there were no buyers, despite the
7 imminence of gaming to Evansville.

8 In early December, the owners agreed to
9 purchase terms that would allow for the paying of the backed
10 taxes, mortgage obligations and ground rent, all of which
11 are in rears today. Our proposal is to buy, renovate and
12 operate the Executive Inn as a Hyatt Hotel immediately in
13 lieu of building a 256 room Hyatt Hotel at programs within
14 point in the future. This is the largest hotel and
15 convention meeting facility in the region. It has 471 guest
16 rooms and over 80,000 feet of meeting space. It occupies
17 three square blocks in downtown Evansville with a parking
18 structure, hotel, and a convention center. Boat Executive
19 Inn clearly is critical to the convention business here in
20 Evansville.

21 In 1990, Evansville hosted a hundred and five
22 major conventions. By 1992, that number had slipped to 90,
23 and it slipped further to 85 last year. With a closed or a
24 further deteriorated Executive Inn, you will see far fewer
25 still. As you know, the convention business is big



1 business. According to the Visitors and Convention Bureau,
2 conventions brought \$60 million worth of business last year
3 to this community. These are not only out of town dollars,
4 they are also out the state dollars that bring real net
5 economic benefit to the state of Indiana.

6 The Convention and Visitors Bureau also
7 recently combined -- compiled information on lost and
8 cancelled meetings. 34,000 room nights were lost this year
9 and the most frequently cited reason for this was the
10 decayed condition of the Executive Inn. In your packets,
11 you will find a copy of a consultant study of the economic
12 impact and analysis of the renovated Executive Inn operated
13 as a Hyatt Hotel. We have attempted to analyze these impact
14 using the same models that the Center for Urban Policy and
15 the Environment uses so that you can quickly overrate these
16 impacts on your own analysis.

17 The report highlights some of the advantages
18 of revitalizing this property. First of all, we will draw
19 visitors away from the casino and into boat center of
20 downtown Evansville. Secondly, we will expand the overall
21 marketing of Evansville as the convention destination, which
22 will result in extending visitor stays and increasing
23 visitor spending. Thirdly, we will also be able to market
24 for all groups, even to those who are opposed to gaming and
25 which will not book a casino adjacent hotel. The



1 consultants analysis indicates that the renovation of the
2 hotel and its operation as a Hyatt will add an additional
3 hundred and fifty-six million dollars of revenue impact to
4 the city and state over five years out of the hotel alone.

5 If the Executive Inn were to close, the
6 negative financial impact would be \$53 million. It is no
7 secret that this asset is in critical trouble. In the last
8 seven years, its losses have been mounting. In excess of
9 \$800,000 dollars are owing in property taxes. The ground
10 lease and mortgage are also in default. Contrary to the
11 wishful thinking of some, if another 250 rooms are built in
12 downtown, the Executive Inn will probably close, and if
13 doesn't, it will remain in debts file. This hotel has been
14 for sale for years, and we have been the only serious buyer
15 with the capability of preserving the hotel and the
16 convention facilities.

17 We know a little about hotels. This is a
18 market with 400,000 empty hotel rooms last year, and by any
19 measure, this is a distressed hotel market. I would like to
20 take a few minutes to explain the hotel market in Evansville
21 and to give you few reasons why we feel that our proposal
22 makes economic sense. The city has commissioned a report by
23 Deloid and Toush. It has been interpreted to say that
24 sufficient hotel demand will be created by a riverboat to
25 justify the construction of a new hotel.



1 We asked Arthur Anderson to do an independent
2 study on the impact of other riverboats done on hotel
3 demand. That study was commented to you earlier, and the
4 copy of the summary is included in your information
5 package. To us, the results are not surprising, and they
6 showed to be fallacious of the admissions particular
7 predicted of hotel demand expressed by other applicants. As
8 you can see in the added investment of riverboat gaming
9 industry, room supply has gone up and the occupancy has gone
10 down. Not only have occupancies gone down, and this is not
11 shown in the chart, but it is on the study, the growth of
12 revenues for available rooms also decline significantly in
13 each of these markets except in the quantities where it
14 increases, I think about 1 and a half percent over a three
15 year period.

16 The conclusion that you derive from the
17 Author Anderson report is that the addition hotel capacity
18 developed for casino related demand has just not been
19 warranted, and that the new room built to accommodate that
20 demand have actually had a depressing effect and not an
21 uplifting effect on existing businesses. The city's own
22 study suggests that additional demand from the casino will
23 generate 59,000 room nights. A new 250 room hotel would
24 absorb most if not all of this new demand, leaving little or
25 nothing for the community at large.



1 Consider this, there are currently six full
2 service hotels and 12 limited service hotels in Evansville.
3 In 1993, which is the last year for which we have
4 information, the occupancy of a full service hotel ranged
5 from 50 to 52 percent. The average rate for a hotel in
6 Evansville is about 45,000. As I said before, what this
7 means is that there were about 400,000 empty hotel rooms in
8 this in fact, bring town in 1993. This is clearly a
9 depressed industry.

10 A casino generates the demand for lodging
11 accommodations also is seasonal. Demand is concentrated in
12 the three summer months. The other nine months of the year,
13 most of casino visitations is indeed day trip visits, which
14 means that little demand is generated solely by the boat.
15 This is an important point. It means that a casino/hotel
16 will be full and perhaps have programs within spillover
17 business only in the summer. The other nine months of the
18 year, this hotel will compete with and will be cannibalized
19 with the other existing hotels in Evansville.

20 You should know that of the six original
21 applicants for the Evansville, five told the city originally
22 that building a new hotel was probably a bad idea because of
23 its impact on existing business, and they advised against
24 it. The Mayor, however, makes it clear that without a new
25 hotel, the city would not endorse an applicant. Our



1 application commits us to build a new 256 room Hyatt Hotel
2 only under certain conditions. This partnership is prepared
3 to do better than that. By committing to bringing the Hyatt
4 class, we'll refurbish the Executive Inn in the event that
5 you select us for the license.

6 Let me assure sure you that we are prepared
7 to live with our application and commitments. In its
8 present form, we believe it is the best and most rational of
9 the applications before you. If, however, you deem it
10 advisable, we are prepared to substitute in extent for the
11 renovated Executive Inn and to operate at that hotel as a
12 Hyatt Hotel. The small critique hotels that have been
13 proposed by other applicants make a poor substitute for the
14 renovating of the Executive Inn, for convention business,
15 for the individual business traveler, or even for the
16 visitor to the riverboat.

17 Our renovation, as you will see from the
18 plans, will include a rehabilitation of the guest rooms and
19 the public areas. We propose to give the property a new
20 identity by creating an inviting new entrance opposite the
21 auditorium, and by the new entry, the entire hotel to the
22 north to work toward the center of the complex. The
23 existing front entrance will become the back door of the
24 hotel and will be used for tour group arrivals.

25 As you can see from the rendering, we intend



1 to replace the exterior walls with modern, energy efficient
2 designs that will bear no resemblance to the existing
3 property, and we will correct chronic deficiencies in
4 roofing, mechanical, engineering, and plumbing systems. The
5 result will be something of which the city can be proud and
6 which will attract and not repel visitors to Evansville. We
7 will begin to market this hotel to the Hyatt network of
8 hotels immediately, and be prepared to reopen the hotel in
9 less than a year.

10 Our partnership is prepared to commit \$10
11 million to this renovation, and our operating budget
12 anticipates that an additional \$6 million in repairing and
13 maintenance, and the reserve will be spent over the first
14 five years. This budget is available for your inspection.
15 Our hotel will open a year or more earlier than any of our
16 competitors have committed. We believe that's an important
17 consideration. We hope you agree. With your permission, we
18 will start immediately to make plans to complete this
19 transformation. We'd like you to help us make Evansville a
20 convention city and bring Hyatt to Evansville. Thank you
21 for your attention. And now Scott Montross will make our
22 closing remarks.

23 MR. MONTROSS: Thank you, Nick.
24 We've tried to outline the mutual advance of having these
25 four partners with Evansville Landing. I can tell you one



1 real big difference, and that's trying the tell the people
2 that run those companies, being aware of the time limit and
3 try and be as specific as I can. There are programs within
4 points that I think are necessary to be covered. I'd like
5 to review with you the evidence that you have heard, and I'd
6 like to apply it to the law that you were charged with
7 following, and discuss with you how we believe the evidence
8 pleads your verdict in favor of Evansville Landing.

9 They've alluded to the local process, and the
10 fact of the matter is it's probably a good time to face head
11 on the fact that our group was one of six applicants and we
12 were ranked six by the city in the local, and I stress the
13 word local, selection process. I'd like to tell you why we
14 do not consider that result to be significant. But I would
15 also like to say to you that we make no apologies for taking
16 that position, but we mean no disrespect to the process
17 itself.

18 There is a lot of hard work put in by a lot
19 of people for a long period of time, and I believe that had
20 the local selection process not been undertaken, that the
21 top of the competition evolves the six applicants, and there
22 would never have been have the financial commitments that
23 have been made to the city of Evansville. And that process
24 has certainly attracted and generated those kinds of
25 results.



1 The reason that we do not consider the local
2 ranking to be significant is that there are four significant
3 differences between the programs you have heard today and
4 what was presented a year ago to the local commission. Two
5 of the four had not come together at the time of the
6 original presentation to the city. We wished they had.

7 First of all, we had no riverboat gaming
8 experience last year at this time, now, you've heard about
9 the unparalleled success of the Grand Victoria operated by
10 Goldstrike and Hyatt. A year ago, we didn't have a boat.
11 Now we do. Mr. Azark has told you we have an temporary
12 boat. We have the same access to other temporary boats. If
13 we choose not to exercise option, our construction program
14 is well in align with everyone elses. One of the four we
15 changed, and that is we're pumping \$6.4 million more money
16 into the city of Evansville than was planned a year ago, and
17 that's because our profit sharing plan was to begin after
18 year five. Now it is to begin after year three, at which
19 point we contemplate having recouped our initial
20 investment.

21 The fourth item is the hotel. We were not
22 willing to come into Evansville and put in a new hotel. Our
23 two competitors have proposed the hotel. We felt that the
24 supply of rooms on the market was adequate, and we felt that
25 boat riverboat would not generate overnight traffic. I'd



1 like to share with you two things, which I think rapidly
2 will reflect our position. I quote, "The company believes
3 that immediate construction of the 250 room hotel would be
4 premature and could in fact negatively affect the market
5 viability in existing hotels." That quote is from Player's
6 initial response to the request for proposals by the city of
7 Evansville.

8 The other quote that I would like to read to
9 you is as follows: It is the day trip market that is
10 vulnerable to riverboats, certainly not the overnight
11 business." Members of the Commission, that quote was taken
12 from the text of the address made at the investment
13 conference in New Orleans this fall by Mr. Paul Rubeli of
14 Azstar. We have the complete text of that presentation. I
15 think the message here that comes through -- and I should
16 point out with regard to that rehashing about the overnight
17 market, that was in response to an inquiry where development
18 discussing the impact the Philadelphia riverboat on the
19 overnight market, hotel market in Atlantic City when those
20 remarks were made that the riverboat does not have an impact
21 on the overnight market.

22 I think the message, now that we have
23 those two applicants proposing the new hotel, is simply
24 often times when someone asks to you jump, it's easier to
25 ask how high instead of why. I'd like to contrast that



1 hotel position with the position we have taken with regard
2 to the Executive Inn. When the demise of the Executive Inn
3 became apparent, the partners of Evansville Landing stepped
4 in, and in consistence with the law and consistence
5 consistent with the statute as it relates to your charge and
6 the economic development, are prepared to rescue 80,000
7 square feet of convention space, are prepared to avoid what
8 could certainly be a three block eyesore in downtown
9 Evansville, which without the Executive Inn, would not
10 preserve the corridor from the riverboat of Main Street to
11 the Executive Inn.

12 It avoids harming existing businesses, and I
13 also submit to you, ladies and gentlemen, or lady and
14 gentlemen in this case, that a hotel attached to a riverboat
15 down at the water does not need Main Street, does not need
16 downtown Evansville. We submit that the economic
17 development would mandate under the statute to the Hyatt
18 Hotel, which will energize the convention and tourist market
19 is the clear indication of our responsiveness to the law
20 this applies to the evidence in this in fact, bring case.
21 I'd like to refer very quickly to our -- trust me. The
22 civic contributions that are being made by the Evansville
23 Landing group generates \$23.2 million over five years.
24 There are 11 categories which, if I had not mangled the
25 slide projector -- but there are two that are very, very



1 important.

2 One, is the community foundation. This has
3 been created through this project of ours, and the community
4 foundation, which will be the recipient of a profit sharing
5 fund is made up of a board of directors, two appointed by
6 the city of Evansville, two by Evansville One or a similar
7 organization with similar interests that I made reference to
8 and one members of the three board of directors appointed by
9 Evansville Landing. This is our access to the community of
10 Evansville, and we believe it is extremely important to
11 these markets.

12 Three and a half million dollars over five
13 years provide for grants and loans to organizations and
14 programs for community economic development activities, that
15 we believe are essential to have the entire city and county
16 benefit. The profit sharing plan, which you see up there at
17 \$6.4 million I referred to in years coming for years four
18 and five, that this is a constant flow of millions of
19 dollars on an annual basis that goes through the community
20 foundation, and it is the strongest possible argument for
21 economic development benefits to the people in boat city of
22 Evansville.

23 The community foundation can work with the
24 city organizations, such as Evansville One to increase the
25 impact of existing public agency programs. They can deal



1000

1 with economically disadvantaged neighborhoods; they can pump
2 money into -- to rejuvenate distressed areas, and they can
3 address manners such as child care, public transportation,
4 affordable housing, educational and drug programs, all of
5 which need to be addressed. The fourth and sixth wards will
6 be targeted for these areas, and that's certainly supported
7 by the involvement of Evansville One.

8 I think it's critical that not just downtown,
9 not just Main Street, not just the riverfront benefit from
10 these monies. We're very proud of this plan. We think it
11 puts the decision making where it belongs. We think it
12 would be presumptuous for Evansville Landing or anyone to
13 come in and tell Evansville One or the city where these
14 monies should go. They know where it should go. We expect
15 this foundation to be very responsive to the needs of the
16 community.

17 Minority business enterprises and women
18 business enterprises --

19 MR. CHAIRMAN: Excuse me, Scott,
20 you are running over. Could you wind it up?

21 MR. MONTROSS: I sure can.
22 Certainly in minority and women business enterprises, the
23 goals are ten and five percent respectively, and we expect
24 to exceed it. Our goal is to exceed 15 and seven and a half
25 percent. We're committed to local hiring and we're



1 committed to local businesses and stimulating those.
2 Fortunately, those areas are addressed, I think very well in
3 our application.

4 I'd like to close by saying to the members of
5 this Commission that what this all boils down to is
6 everything is stripped away and you're looking right at the
7 issue. How confident can this Commission be that they
8 have -- they have awarded this license to the applicant best
9 qualified and best equipped to do the job. Boat change is
10 only as strong as it's weakest link. Today you have seen
11 evidence that Evansville Landing will not let you down. You
12 will not be required to guess or speculate or take a
13 chance.

14 No one brings more than Evansville Landing.
15 We're proud to stand before you here today as the strong,
16 solid, safe, sensible choice for this license. Reputation
17 experience, integrity and financial strength are totally
18 consistent with Goldstrike, Hyatt, Ellis Park and Simon.
19 We're proud of the facts we have presented to you. We
20 believe these fact represent the evidence that will support
21 the verdict of this Commission in favor of Evansville
22 Landing, and will result in the award of a license to
23 Evansville Landing. I thank you very much for your time.

24 MR. CHAIRMAN: Thank you. We will
25 now recess for lunch and I think we'll shorten the time to



1 one hour so we will reassemble at 2:30. Thank you all.

2 (Thereupon, a break was taken;
3 after which, the proceedings
4 continued as follows:)

5
6 QUESTION AND ANSWER SESSION

7
8 MR. CHAIRMAN: We've been having a
9 little problem with the sound system and particularly the
10 mikes that are at the tables. And I presume you want to try
11 to answer any questions we have while still seated, and I'm
12 told by the soundman, if you stay six to nine inches from
13 the mikes, that that's the most effective means. I think
14 the tendency is the try to get right up here, and it just
15 doesn't work on those mikes. So if -- we'd certainly like
16 to have you stay seated while you answer questions, but if
17 you could sort of remember and if we have any trouble, we'll
18 try to make another adjustment.

19 If any of the Commissioners have any trouble
20 hearing any of the answers, let me know and we'll try to do
21 something else. We may get a bunch of megaphones in here
22 and have people just yell back and forth with them. If we
23 could come back to order. We're now scheduled, of course,
24 for questions from the Commission of the Evansville Landing
25 group. To sort of kick it off I think I would like to ask,



1 and I don't know who wants to answer this, to tell us about
2 the agreement that the partnership has concerning seeking
3 the legislation in Kentucky to authorize a casino gaming in
4 Kentucky, and just sort of outline, for the benefit of
5 everyone, the nature of that agreement amongst you
6 gentlemen.

7 MR. SCHULTZ: My name is Richard
8 Schultz, vice chairman of the Hyatt Development. We -- as
9 you referred to, we do have an understanding among the
10 partners that if the gaming opportunity arises in Kentucky,
11 that this group would work together to pursue a land-based
12 opportunity if it should exist at Ellis Park. This is an
13 existing agreement principal that we have today.

14 MR. CHAIRMAN: Has it been reduced
15 to writing.

16 MR. SCHULTZ: We have -- yes, there
17 is a summary of our -- which I think you were provided to
18 the Gaming Commission. Yes, there's a written agreement.

19 MR. CHAIRMAN: Okay. And you sort
20 of explained it as if you would if, the legislation comes
21 about in Kentucky, it was our understanding that the
22 agreement naturally provides that you were to actively
23 pursue the legislation to authorize casino gaming in
24 Kentucky.

25 MR. SCHULTZ: Well, we have, as



1 part of our agreement, if -- if the partners collectively
2 believe that there will be -- that there's a realistic
3 opportunity or likelihood that gaming legislation may be
4 considered or passed in Kentucky, then we have agreed, as a
5 partnership, to work together to support that effort. And I
6 would point out that although but it didn't only recently
7 there were programs within initiative underway, those effort
8 certainly on our part have -- have ceased. It's our
9 judgment that there is not likely to be gaming legislation
10 considered or enacted there certainly in the near future.
11 So we are not currently lobbying in Kentucky.

12 MR. CHAIRMAN: It's my
13 understanding that you're agreement does have a fairly
14 lengthy time period connection to it; is that correct?

15 MR. SCHULTZ: The time period --
16 there are two time periods.

17 MR. CHAIRMAN: Tell me what the
18 partners believe would be the effect on the Evansville
19 license, should there been casino gaming at Ellis Park.

20 MR. SCHULTZ: Well, our -- our
21 belief and expectation expect, and frankly one the reasons
22 that this partnership was formed was the belief that if
23 there is a gaming opportunity in Ellis Park, land-based
24 gaming opportunity at Ellis Park, that Ellis Park and
25 Evansville will be competing for a similar market. The



1 market -- the market region is likely to be the same or
2 similar, and our belief is that -- that with the initial
3 investment and commitment of the source we're talking about
4 for Evansville, that in the long term, the -- the gaming
5 prospects of our partnership and our enterprises in
6 Evansville and in Ellis Park, can be best served if -- if we
7 have a consistent uniform approach to gaming generations of
8 traffic, and selling really of this entire area as a
9 destination for gaming and other entertainment.

10 So the negotiation was to really, if the
11 opportunity arises, to combine the two in a way that would
12 support and assist both.

13 MR. SCHAEFFER: Mr. Chairman, I'm
14 Glenn Schaeffer, partner of Goldstrike, in situations in
15 Nevada, for example both the Goldstrike and formerly what we
16 did in Circus Circus, we would build competing sources that
17 we both opened on the same block next door to each other.
18 In general, other properties are across the freeway from
19 each other, and we're now in development for a third
20 property. We did the same thing with Circus Circus on the
21 strip, which that's how you expand your market sharing. You
22 control that much more product in a marketplace and
23 establish earlier from the standpoint of, what's our
24 commitment to Evansville over the long term?

25 That commitment is very much there. We have



1 substantial investment here in the city of Evansville and a
2 very high desire to see a very healthy business at both, if
3 Kentucky were to come into play.

4 COMMISSIONER: Are both of the
5 stories you're talking about in Nevada? You just said you
6 put it next to each other. So they're both in Nevada?

7 MR. SCHAEFFER: Well, yes. And the
8 principal would be the same here certainly.

9 COMMISSIONER: In your interest not
10 in Indiana's interests.

11 MR. SCHAEFFER: I think from the
12 standpoint of a bigger overall market in having our
13 commitment to Indiana as well.

14 COMMISSIONER: I don't think it
15 would be a bigger market if you divided it between Indiana
16 and Kentucky.

17 MR. SCHAEFFER: The regional market
18 would be the Indiana side pretty well, but being in control
19 of both.

20 MR. PRITZKER: May I summarize and
21 try to clarify a couple of points that my associates are
22 making? I'm Nick Pritzker, Hyatt Development. I think
23 gaming is going to come in any event to Kentucky and to
24 Ellis park, and the point Mr. Schultz and Mr. Schaeffer is
25 making is that the riverboat in Evansville will survive



1 better if it is owned in common with the Ellis Park casino
2 as opposed to having two differently owned operations
3 competing with each other helped necessarily by Kentucky
4 gambling. Unless you want to contradict it.

5 MR. CHAIRMAN: I don't want to
6 become argumentative, but I guess I could buy partly to what
7 you just said if it weren't for the fact that we've
8 established that the group has agreed to actively pursue the
9 enabled legislation in Kentucky. I think that may be a
10 little different ballgame than saying if the apple started
11 to fall from the tree you should be there and be able to
12 catch one.

13 MR. SCHAEFFER: I understand your
14 intention. I believe what this group has said is that in
15 any event successful or unsuccessful, this group is going to
16 pursue casino gaming in Kentucky as are many people in
17 Kentucky, but I believe it's in our agreement we are
18 agreeing to work towards that goal, but we're going to do
19 that whether or not we're the successful bidders here or
20 whether another group is.

21 We know that there's gaming going on in Ellis
22 Park, and that's controlled by this group, and if this
23 group's successful in Evansville, than Evansville will be
24 better off by virtue of that than having two different
25 operations.



1 MR. CHAIRMAN: Part covers
2 insurance. We're going to get a copy of the underlying
3 agreement. For the record, was that the offer -- what is
4 the relationship, is that a good competition, reasonable
5 competition between a riverboat casino and the land-based
6 facility?

7 MR. SCHAEFFER: Typically, the
8 land-based casino has produced more revenues than riverboat
9 casinos do. Dockside produce more revenues than cruising
10 casino vessels do.

11 MR. CHAIRMAN: I think maybe the
12 further question is what would Indiana's response be if
13 there is a border competitor, which of course is initiated
14 through the legislation in Indiana following Illinois?

15 MR. SCHAEFFER: We know that Iowa
16 -- there were regulations different than Illinois.
17 Illinois came about because of Iowa. And when Illinois
18 modified -- Iowa has since modified regulations to try to
19 become more competitive with Illinois. I mean, what does
20 Indiana do as a state to respond to any legislation that
21 might arise in a border state? That has been the principal
22 stimulus for gaming in the mid-west to begin with. You
23 might go dockside when it changes to regulation, and we
24 don't know when we speculate or anyone speculates what the
25 rules and regulations be if there were gaming in Kentucky.



1 COMMISSIONER: It has been pointed
2 out to me that you have already submitted the documents
3 concerning Kentucky agreement, so I apologize for asking for
4 them.

5 COMMISSIONER: You just said that
6 you don't have any plans right now to pursue this enabling
7 legislation to allow bases in Kentucky.

8 MR. SCHULTZ: We -- at the present
9 time we are not engaged in any lobbying effort, and our
10 judgment is that it is not a prospect that is likely to
11 occur in the near term. So it is an indefinite plan really
12 and indefinite outcome about whether there will be gaming in
13 Kentucky, or if there is gaming when that will occur.

14 COMMISSIONER: So your position is
15 that if Ellis Park has an ownership interest in a riverboat
16 license that cooperation is better than competition.

17 MR. SCHULTZ: That's correct.

18 COMMISSIONER: I have no other
19 questions.

20 MR. CHAIRMAN: Can go into other
21 areas. Anything else you want to --

22 COMMISSIONER: Yeah, I have a
23 question. It looks like we're considering something
24 somewhat different or quite a bit different actually than
25 the materials we had in front of us. We were aware of the



1 hotel situation, and now, the investment community
2 contributions that I have here are -- originally I had about
3 an 11 -- over a five year period, an 11.5, 1.6 million
4 contributions to the community, and the material you gave us
5 is \$23 million. So there's -- it's almost double. So some
6 of this must have changed in the last -- since you've
7 submitted your application on that.

8 MR. SCHAEFFER: Commissioner, that
9 is accurate. We have raised the profit share fund We've
10 refined the profit sharing fund since the beginning.
11 Initially, we were talking about after the first five years
12 of the award of license, we have modified that to be after
13 we've recovered our cost of investment, which we predicted
14 would be about the third year of operation, as to why we
15 took the liberty of arranging the overall number. We are
16 the one applicant before you today that was sort of
17 disinvited from the process in Evansville, but we noticed
18 things sort of raged again after the -- after the
19 negotiations with the city, and we've simply answered
20 competitively.

21 COMMISSIONER: So this was just
22 strictly in response to not being chosen by the city and
23 wanting to be in the running.

24 MR. SCHAEFFER: We wanted to come
25 before you with a competitive bid, so we, you know, we



1 raised ours to be -- to be as competitive as anything you
2 look at.

3 COMMISSIONER: Okay. So these
4 are --

5 MR. SCHULTZ: Excuse me. If I
6 might add, we had, at the invitation of the city, and we did
7 meet with them about a month ago --

8 COMMISSIONER: Okay.

9 MR. SCHULTZ: -- in which they laid
10 out for us their expectations and programs within of what
11 they were looking for from a potential licensee. So it was
12 then suggested -- really programs within of -- programs
13 within of these increases came -- we volunteered them
14 based on a meeting we had with the representatives of the
15 city, after understanding somewhat fuller, what they're
16 expectations were.

17 COMMISSIONER: So these now are a
18 part of the record, and those would be firm commitments on
19 your part.

20 MR. SCHULTZ: Yes.

21 COMMISSIONER: So this is what I
22 would consider then that.

23 COMMISSIONER: What key -- what key
24 points -- you were sixth in the running. I think you said
25 you were sixth --



1 MR. SCHAEFFER: Yes.

2 COMMISSIONER: -- originally? How
3 would these, in your opinion -- changes characterized in the
4 -- where would you fall today in your opinion? Another
5 thing, why were you sixth, and what would this do to change
6 sixth to programs within other number.

7 MR. SCHAEFFER: We think we present
8 to the city and the state the most viable program for
9 economic vitalization in the city of Evansville,
10 particularly with the conversion of the Executive Inn and to
11 a Hyatt Hotel, which we pointed out in our presentation is
12 the leading brand name in international travel today. That
13 gives us a distribution capability to bring visitors,
14 especially destination visitors to the city of Evansville
15 and know their applicant before you can -- can assert.

16 The two corridors -- I'm sorry. The corridor
17 model with the two anchors, which is an entertainment anchor
18 and name brand hotel anchor which has been used successfully
19 in other U.S. cities also has been used in the past by
20 people standing before you in our group, Simon and Hyatt.
21 We think from the standpoint of the program that would
22 produce the most visitors, the highest casino revenue over a
23 long run, and that is the essence of our program.

24 COMMISSIONER: So it's your belief
25 that if this was done over again, you would be first.



1 MR. SCHAEFFER: I can't speak for
2 the selection committee of Evansville, but we would be
3 entirely happy to run it all over again.

4 COMMISSIONER: On your -- one of
5 your slides today you showed your total project investment.
6 I think it came out to be \$100,650,000. Is that over a five
7 year period?

8 MR. SCHAEFFER: Yes, it is.

9 COMMISSIONER: Do you have a
10 breakdown as to how much this is going to be per year and
11 how much in a year one and year two.

12 MR. SCHAEFFER: Yes, we do. It
13 will take us a moment to gather-- to gather the
14 information.

15 COMMISSIONER: That includes --

16 MR. SCHAEFFER: Twenty-three --
17 Commissioner, \$23 million of that hundred million dollars
18 were specific contributions, plus the share of the profit
19 sharing fund over that five years. If you're looking at
20 it's hard cost investment, the number would be between 75
21 and 80 million according to that chart.

22 COMMISSIONER: And how much of that
23 -- do you have programs within idea as to how much of it
24 would be year one and year two, or per year one?

25 MR. AZARK: Commissioner, it's very



1 heavily weighed toward -- I'm Dan Azark. I don't know. If
2 we could go down the total project investment, you have it
3 in your back page, that land acquisition casino equipment
4 effective in an acquisitions, that will make some pavilion
5 improvement sight for channel docks.

6 COMMISSIONER: This is year one?

7 MR. AZARK: All of these are year
8 one.

9 COMMISSIONER: Okay.

10 MR. AZARK: The only ones that are
11 not year one be would the civic contributions of \$16 million
12 8. Those are heavy weighted towards years one and two. I
13 believe that 7 million, approximately that, 16.8 in years
14 one and two. And we have a further breakdown of that for
15 you if you'd like it. And of the profit sharing fund of 6
16 million 4 as -- as we explained is a profit sharing fund at
17 that kicks in at 10 percent of that operating income after
18 we've avenue returned -- received a return on our
19 investment. That's calculated to be in the year three
20 basically on the conservative projections of \$70 million per
21 year.

22 COMMISSIONER: Year three, four,
23 and five?

24 MR. AZARK: I'm sorry, years four
25 and five, sir. How much -- how much would you say you have



1 invested in Evansville now? How much money have you -- have
2 you spent any money here?

3 MR. AZARK: We've spent about a
4 million dollars today pursuing this license.

5 COMMISSIONER: Is that just off the
6 soft costs that you've -- attorneys and local
7 representations and --

8 MR. SCHAEFFER: It includes on
9 option on the Executive Inn which pays for where they are in
10 terms of -- to pay the rent and back taxes.

11 COMMISSIONER: All right. How much
12 is that?

13 MR. SCHAEFFER: It's about \$3,000 a
14 month obligation.

15 COMMISSIONER: We -- in our
16 original numbers I guess one of -- one of the things that
17 throws us a little bit about this change in your using these
18 numbers is the contributions that you say you're making now
19 have just about tripled from -- from what we were shown
20 before.

21 MR. AZARK: I don't believe
22 tripled, sir. I believe that the real change here is the
23 profit sharing fund for 6 million four. Specific initiative
24 on the prior basis totaled about 15 million.

25 COMMISSIONER: Well, we said the



1 change is just -- how much is the change?

2 MR. AZARK: About -- about \$7
3 million.

4 COMMISSIONER: Seven million?

5 MR. AZARK: Yes.

6 COMMISSIONER: So it was \$93
7 million before, is what you have proposed to invest?

8 MR. AZARK: Yeah, before the -- I'm
9 sorry, sir. The hotel is a point of difference as well.
10 The hotel is an additional \$15 million. I was focusing on
11 specific initiatives. The -- we have -- in this project
12 investment summary that we have before you now factored in a
13 \$15 million number for the Executive Inn.

14 MR. CHAIRMAN: The -- speaking of
15 the hotel, is this going to be the final rendition of the
16 hotel? It looks almost like a new hotel.

17 MR. AZARK: That's our intention to
18 make it look like a new hotel and to give it a new image and
19 to replan boat outside of hotel and to make it a more
20 efficient and a very modern hotel.

21 MR. CHAIRMAN: Can you do that with
22 \$15 million?

23 MR. AZARK: We believe we can with
24 the breakdown boat budget. We'd be happy to go over it with
25 you. But a large portion of that money, about a million and



1 and a half to two million is in the skin. There's
2 substantial revenues in that budget for mechanical systems
3 and roofing systems and a great deal of that money in that
4 budget is for room renovations and public area renovations.
5 In addition to that, we have very healthy reserves. There's
6 reserves for repair or maintenance. Recognizing this as an
7 older building, it will have repair and maintenance
8 requirements that are over and above a new hotel. We'll be
9 reserving, I believe, \$700,000 a year for repair and
10 maintenance and -- and for FFE, furniture, fixtures and
11 equipment, refurbish them about -- in a similar amount.

12 COMMISSIONER: You're -- you're
13 convinced that Hyatt Hotels doesn't need another hotel?.

14 MR. SCHULTZ: That has been our
15 position from the outset, yes, and we do believe that the
16 rate of non-occupancy statistics are are very persuasive in
17 that regard along with our experience in other communities
18 in terms of demand generated by riverboat casinos.

19 COMMISSIONER: Did you say only one
20 of the original applicants -- I was under the impression
21 that somebody said only one of the original applicants
22 proposed a hotel?

23 MR. AZARK: Actually, two of the
24 original applicants proposed a hotel, Jumer and Aztar.
25 Jumer has proposed and said, we'll build this hotel, but we



1 really think it's a bad idea.

2 COMMISSIONER: How many -- how many
3 permanent jobs will the hotel create, not the renovation,
4 but the actual permanent?

5 MR. AZARK: The hotel should have
6 about 450,000 -- I'm sorry. There's 450 jobs associated
7 with the 470 rooms and the meeting and convention space that
8 we have.

9 COMMISSIONER: The figures that you
10 had on your construction impact, I show year one at 417 and
11 then year two is seven and year three is six; is that
12 right? It's in your economic impact analysis. Those were
13 in two studies that you will all put together.

14 MR. AZARK: Yes. Sir, that is
15 construction employment impact.

16 COMMISSIONER: Right. That's what
17 I mean.

18 MR. AZARK: And the intention is
19 that most of those construction dollars will be spent in the
20 year one, with programs within hold overs in the year two
21 and three.

22 COMMISSIONER: I guess my question
23 is, you have year one at 417, which I assume is some sort of
24 an estimate then go you to seven, which sounds specific, and
25 then year three which is six?



1 MR. AZARK: It's a function of the
2 budgets. It's a number that's derived, formulated through
3 the budget expenses for those years.

4 COMMISSIONER: Okay. Also from the
5 newspaper articles when you held your press conference last
6 week or whenever it was, it said that as far as renovation,
7 the purchase prices is 5.1 million, renovations at 9.9
8 million, and now I see in here it's \$10,625,000 for
9 construction cost and capital improvements? Is that the
10 number we're looking at right now for construction cost and
11 capital improvements, \$10,625,000?

12 MR. AZARK: Yes. Those numbers
13 include, I believe, money being spent in the second year
14 9.9, \$10 million in the first year, and monies that are
15 being spent in the second year and holding over to the third
16 year.

17 COMMISSIONER: Right. So when
18 we're talking about the 9.9 million, that will give us this
19 picture that we have here.

20 MR. AZARK: Yes.

21 COMMISSIONER: Have you -- you say
22 you had some specs on it. Has there been an engineer go
23 through this and -- and determine --

24 MR. AZARK: Sir, we've had -- we've
25 had a number of engineers go through the building. They've



1 gone through on a preliminary basis. We've had mechanical
2 engineers, structural engineers go through the building.
3 We've had our own Hyatt engineers go through the building
4 and they put together budgets base for this based on our
5 experience. We don't have specs completed at this point.
6 We've worked with contractors though in estimating the per
7 square foot cost investments of replanning the building with
8 this.

9 COMMISSIONER: And is there
10 anything involved in this in fact, bring about the parking
11 garage across the street in refurbishing the parking garage?

12 MR. AZARK: The major refurbishment
13 of the parking garage is not included in these numbers. It
14 will have -- you know, it will need to be freshened up, but
15 it will not be -- there is not a major refurbishment of the
16 garage in the 9.9.

17 COMMISSIONER: Is there any concern
18 about that parking garage being able to meet that code
19 enforcement regulation?

20 MR. AZARK: We're not aware of that
21 as an existing code problem.

22 COMMISSIONER: I have no real room
23 to talk. My office has been in there for three years, and
24 I'm moving out Saturday. In reference to the lease
25 property. My understanding is that the front section where



1 my office used to be before you wiped it out of there is
2 lease property; is that correct.

3 MR. SCHAEFFER: Yes, it -- yes, it
4 is.

5 COMMISSIONER: Okay. And my
6 understanding is that's from trust, that a trust actually
7 owns that -- that real estate.

8 MR. SCHAEFFER: He did not
9 recognize the entity as a trust.

10 COMMISSIONER: But the term that
11 you're using is a trust?

12 COMMISSIONER: It was something
13 that I've heard many times.

14 MR. SCHAEFFER: Well, it's, as I
15 understand it, the lessor or ground lessor is an entity in
16 which the Duetch family has an ownership interest.

17 COMMISSIONER: Well, the whole
18 question, I guess would be that lease is something that --
19 would be assumed by -- by you all when -- my question is:
20 When would that lease expire and is it renegotiable?

21 MR. SCHAEFFER: We have
22 successfully completed a renegotiation of that which would
23 extend it another 62 years, in the event we exercise size
24 our option acquire the Executive Inn so that's --

25 COMMISSIONER: So that's -- okay.



1 And also my understanding is the 5.1 million is the purchase
2 price; is that correct? What you have to pay is the bank
3 the mortgage which is \$3 million something and then your
4 property tax that you've owed?

5 MR. SCHAEFFER: Yes. The purchase
6 price is 5.1 million, and the intent and our understanding
7 is that those proceeds will be used to pay off existing
8 debts and liabilities of the hotel.

9 COMMISSIONER: So the Green family
10 or whatever entity it is that owned it is going to walk away
11 with that. Is that -- that's my understanding, is that your
12 understanding?

13 MR. SCHAEFFER: That is -- that is
14 my general understanding of the transaction. There are
15 programs within contingent payments in future years of which
16 they may benefit.

17 COMMISSIONER: All right. There
18 was a letter to the Gaming Commission dated December 5, 1994
19 that when the request was before the Commission to amend
20 their application to reflect the Executive Inn option. The
21 language in here that's pursuant to the option agreement if
22 for reasons beyond your control, than these other things
23 will occur. Could you specify to us what would happen for
24 reasons beyond your control where you wouldn't exercise
25 Executive Inn option.



1 MR. SCHAEFFER: Based on what we've
2 accomplished since early December, I believe the only factor
3 beyond our control at the moment is the awarding of the
4 license.

5 COMMISSIONER: All right.

6 MR. SCHAEFFER: And the
7 substitution of the Executive Inn for a 30 or \$40 one.

8 COMMISSIONER: There -- one of
9 other companies has a line of credit through one of the
10 banks that will satisfy if there's any problems in meeting
11 the community incentives that would return the civic
12 contributions. Do you have plans to have a line of credit
13 established for the purposes of meeting those civic
14 contributions if in case, for programs within reason you
15 don't pay up?

16 MR. AZARK: Commissioner, we have
17 offered the city a letter of credit for the civic
18 contributions that we have -- we have offered to the city
19 earlier, and I think we'd be prepared to do that again.

20 COMMISSIONER: Particularly Aztar's
21 line of credit with the National City Bank, you would have a
22 similar sort of thing with another -- that institution or
23 another institution; is that correct?

24 MR. AZARK: Yes.

25 COMMISSIONER: In -- in reference



1 to the employment at the Executive Inn, my understanding is
2 that you would maintain those employees who are there now;
3 is that correct?

4 MR. PRITZKER: I don't believe
5 we've made that representation. What we have said, we're
6 going to have to close the Executive Inn for approximately
7 six months -- six to seven months for the renovation. The
8 employees will not be carried during that time, and when we
9 hire, clearly giving priority to existing employees of the
10 Executive Inn. We will have more employees total than are
11 now presently employed at the Executive Inn, but we are not
12 at this point guaranteeing any given individual employee
13 employment at that time. We have not yet reviewed anybody's
14 record or history or had any interviews, so we can't make
15 that representation.

16 COMMISSIONER: How many employees
17 do you anticipate having have in the Executive Inn.

18 MR. PRITZKER: 470.

19 COMMISSIONER: 470? Do you have
20 any idea how many are there now?

21 MR. PRITZER: Let's -- let me
22 correct that. We think between 450 and 470.

23 COMMISSIONER: And do you have any
24 idea how many are working there now?

25 MR. PRITZKER: There was numbers of



1 350, but we -- we --

2 MR. AZARK: We believe there's
3 about 260 employees.

4 COMMISSIONER: Working at the
5 Executive Inn now? Okay. I don't have any other questions
6 of you.

7 COMMISSIONER: On the river site, I
8 see that you are intending to bring the boat in kind of at
9 an angle and looks like another big cut into the shoreline.
10 Would that be a correct assumption? And is that something
11 that you've discussed with any of the our Corp of Engineers,
12 any of other licensing people besides ourselves, and is that
13 a possibility, or is that something that you don't know
14 about yet?

15 MR. AZARK: Yeah, we know a great
16 deal about it. We have filed an application with the Corp
17 and received permits -- or Corp comments on that. We've
18 discussed this with representatives of the Ice Committee.
19 We have filed with the Department of Natural Resources,
20 Indiana Department of Natural Resources and that application
21 has been deemed complete. We have intentionally cut into
22 the bank at this severe angle, even though it's probably
23 more costly than any of the docking schemes that you've seen
24 in front of you, because we think safety is an issue.

25 We think safety is an issue from the barge



1 traffic coming downstream. We've been told that it's an
2 issue for large crafts coming upstream. Barges coming
3 upstream are frequently unloaded and when the wind sometimes
4 takes them and drives them against this bank. So it's
5 important that the boat be protected in both respects, but
6 we don't foresee any problem with it. It's an expensive way
7 to go. We think it's the safest way to go. We also,
8 parenthetically have emergency exits to both sides of this
9 vessel.

10 COMMISSIONER: Now, Aztar has
11 indicated that they already have control of the land that
12 they need to pursue this project to begin immediately. What
13 about your plans for land acquisition in this in fact, bring
14 area and use of this land? How soon would you be able to
15 proceed and how sure are you that you can get what you need
16 to complete this project.

17 MR. AZARK: Scott, do you want to
18 answer that?

19 MR. MONTROSS: The land that is
20 necessary for the construction of the boat and the pavilion
21 is public land and that will not be a problem obviously.
22 Any other land is -- whether the boat be placed at the Dress
23 Plaza site or whether it be in Riverfront Park, the land
24 adjacent to that private land is under option at Dress
25 Plaza. It's under option to Player's, as the Riverfront



1 Park location is under option to Aztar, although there is --
2 there is a couple of acres just -- I get my directions down
3 here confused -- but north of the Riverfront Park that
4 station had under options -- option. I believe that option
5 has expired.

6 But the problem -- the bottom line is that
7 should we receive the license, there isn't any legitimate
8 reason for Aztar or Player's to exercise the option on
9 property since they wouldn't have -- have the license. But
10 if they should for programs within reason, which would
11 probably be inconsistent with some of the statutory mandates
12 as far as integrity and reputation and that kind of thing,
13 if they should, our parking capability is still intact. We
14 can erect a parking facility on the public land either at
15 Dress Plaza or at Riverfront Park.

16 We can go to surface lots. We're going to --
17 we have a 500 car parking garage barring earthquakes at the
18 Executive Inn from a -- that we can shuttle the people back
19 and forth. And so -- so we don't see the land as being a
20 problem. Now, that the controversy as an original with
21 regard to Riverfront Park versus Dress Plaza, we find
22 ourselves in boat position where we don't have to
23 aggressively lobby for either one. We can go to what turns
24 out to be the safest location. So it's something that we
25 originally wanted, sort of like the country music song,



1 Thank God for Unanswered Prayers. I'm sure we would have
2 liked to have had it, but we didn't get it. Now it turns
3 out we don't need it, and we're in a position to proceed
4 with or without.

5 COMMISSIONER: So are you -- those
6 comments then leads me to another question. Would you be --
7 if this complaint or whatever it is that's in front of the
8 National Parks Department, if that would be successful,
9 would you be capable of moving your site?

10 MR. AZARK: To Dress Plaza?

11 COMMISSIONER: Right.

12 MR. AZARK: Absolutely. We're
13 prepared to go to whatever turns out to be a viable and
14 acceptable site.

15 COMMISSIONER: Now, Aztar also
16 indicated that -- that if that public land is used, that
17 they are -- they're contributing quite a substantial amount
18 of money for the development of replacement park property.
19 Are you going to be doing the same thing to replace that
20 public land?

21 MR. AZARK: We are, and I take full
22 responsibility for my handling of the slide. That was on
23 there. I think there is a million and a half dollars or a
24 million -- one and a half million dollars of a park
25 replacement fund to deal with that issue, because my



1 understanding -- I've only been on the peripheral, but my
2 understanding is that when you take away the Riverfront Park
3 land, you need to replace it with more park land. And so we
4 certainly contemplate doing that and expect to do it, and
5 hope to be in a position to have the opportunity.

6 COMMISSIONER: You -- you -- you
7 mentioned that you had a meeting with the city not too long
8 ago.

9 MR. SCHAEFFER: Yes, we did.

10 COMMISSIONER: Was that something
11 that you did or something that they asked, to see you?

12 MR. SCHAEFFER: It was a meeting
13 the city requested.

14 COMMISSIONER: The city requested
15 the meeting?

16 MR. SCHAEFFER: Yes.

17 COMMISSIONER: For what purpose.

18 MR. SCHAEFFER: It was a request
19 that was given to us in December. I believe it may have
20 been after your second Gary -- in my understanding, it was a
21 meeting that was requested of us after the second -- or
22 after your Gary hearing in which the city said they wanted
23 the opportunity to explain to us what their expectations
24 were in this in fact, bring process and what we
25 anticipated. What I understood them to be saying is that



1 before we came here today, they wanted us to know what --
2 what their position was on a number of these civic
3 contributions.

4 COMMISSIONER: So you agreed to all
5 those -- that's the changes that we're talking about?

6 MR. SCHAEFFER: We -- we have -- we
7 have agreed to a number of them, and in programs within of
8 the commitments we had made earlier and in programs within
9 of the supplemental commitments we've made, for example, the
10 profit sharing. There are substantial amounts of money that
11 we have ear marked for a community fund for a foundation.
12 That could be used to address programs within of the
13 specific requests that the city made of us.

14 COMMISSIONER: So that --

15 MR. SCHAEFFER: So we -- we have
16 not -- we have not responded to each individual request.
17 Programs within of those requests we are regarding as -- as
18 being met by our larger contributions to the community
19 foundations.

20 COMMISSIONER: So you think that if
21 you're awarded this license, you would be able to get along
22 with these people very easily?

23 MR. SCHAEFFER: Yes. In fact at
24 the meeting that we had with the director for economic
25 development, she and we expressed that point of view, that



1 we were both experienced in working with either public or
2 private entities and city renewal and city development, and
3 it was a very positive meeting.

4 COMMISSIONER: I -- I --

5 MR. PRITZKER: May I answer that
6 Commissioner? This is rather self-serving -- Pritzker --
7 but we operate hotels and I think over a hundred and fifty
8 cities around the world, and it's obviously a key priority
9 for Hyatt to get along with cities wherever we happen to be
10 working, so we pride ourselves on that and work very hard at
11 it. I see no reason why we wouldn't get along very well
12 with Evansville.

13 COMMISSIONER: Speaking of
14 cooperating, you're a management scheme to your corporate --
15 your four partners at 25 percent a piece, and you put
16 together programs within operational made with the scheme
17 directors, wasn't it, how you'd run this business?

18 MR. SCHAEFFER: The Goldstrike
19 resorts will set up and operate the casino for the venture.
20 We would share development responsibilities of the boat,
21 property, building, the program with Hyatt as we did in
22 Elgin, Illinois. I would certainly let my other partner
23 describe the role of the Executive Inn and with retail.

24 MR. SCHULTZ: Well, I think
25 basically the starting point is the Executive Committee of



1 Partnership. We have established what is in essence our
2 board of directors, in which each of the four partners is
3 equally ly represented. That committee will act, as I said,
4 as a board of directors and will govern the affairs and
5 management of the partnership business just as a corporate
6 board would -- would govern those affairs for a
7 corporation. I think what -- and Glenn is suggesting, you
8 know, we believe the unique situation of being able to call
9 upon the resources of the different partners, call upon
10 their strengths to deal with specific portions or projects.

11 So there would be a clear allegation of that
12 and the delegation of that responsibility to -- to the sub
13 management group that would be drawn from the individual
14 partnership entities. And Hyatt has experience, substantial
15 experience in hotel development or hotel management with
16 development as we designed it, so those would be tasks that
17 would be delegated and overall, managed by this board of
18 directors.

19 MR. PRITZKER: May I add again? We
20 have many partnerships, and I think our partnership with
21 Goldstrike in Elgin is the particularly illustrative between
22 cooperation that's possible. Hyatt is a management company
23 and we run casinos, but we're also a development company.
24 Goldstrike, through it's partner, operates casinos and it's
25 also a developing company. And although perhaps the



1 personalities are strong, nonetheless we had a little
2 trouble -- a little trouble in letting whichever partner was
3 strongest in any area to serve that function. We've never
4 had an argument with our partners in Elgin.

5 For the most part we handled the -- the
6 construction and development. For the most part they
7 handled the operation. Partnerships meetings have been
8 infrequent and rather informal because generally, there's
9 very little difficulty on the executive committee level.

10 MR. CHAIRMAN: Along the same lines
11 what arrangements do you have concerning the withdrawal of
12 any of the parties or the succession, should anything
13 happen?

14 MR. SCHULTZ: I'm not sure I know
15 specifically what you're referring to. Let me give you a
16 general instruction of programs within of the circumstance
17 that might arise. There is -- there prejudicial bracing
18 within our partnership agreement that -- that allows each of
19 the partners to transfer their interests, if really
20 successful, they might choose subject to the right or
21 refusal on the part of the other partners. So that would be
22 a normal transition with -- they said the existing partners
23 having the ability to exercise the right of refusal that
24 they chose.

25 We do have -- we can make special provisions



1 for a circumstance that we would not expect to arise, but to
2 be complete in our structuring. We've -- we've addressed
3 the question of -- of licensing, and if there should be any
4 difficulty with licensing. As I said, we do not expect
5 that, but this is a -- we wanted to make sure that our
6 agreement is complete. We've made the provisions that
7 allows the other partners to succeed to the interest of that
8 partner. But in -- in general, it's fairly normal and
9 customary partnership to transfer trip provisions that we've
10 incorporated. Is that responsive?

11 MR. CHAIRMAN: I beg your pardon?

12 MR. SCHULTZ: Was that responsive
13 to your --

14 MR. CHAIRMAN: Yes, generally. You
15 know of course that any transfer would be subject to the
16 approval of the Indiana Gaming Commission.

17 MR. SCHULTZ: Of course.

18 MR. CHAIRMAN: I guess, Scott,
19 would think I wasn't even practicing law very well. I
20 didn't make a final closing on this option on the Executive
21 property. Are you here today prepared to say if you were
22 granted a letter of suitability that you will go ahead and
23 exercise unconditionally the option on the Executive
24 property and go forward.

25 MR. SCHAEFFER: Yes, we are, with



1 the provision that -- that -- that exercise would substitute
2 for the new hotel commitment that we --

3 MR. CHAIRMAN: That's a given.

4 MR. SCHAEFFER: Okay. Yes, sir.
5 I'm qualified, yes. We are prepared to do that.

6 MR. CHAIRMAN: Your boat. You want
7 to tell us a little bit about your proposed boat and when
8 you're talking temporary and permanent and so forth. And do
9 you have any dining facilities on the boat or any open space
10 on the boat that people could relax and enjoy cruising and
11 so forth.

12 MR. AZARK: We'll have a -- we'll
13 have a level where people can sit back and enjoy the
14 cruising but we must confess, we really want to encourage
15 people to pull the handle and play while they're on the
16 boat. The -- the boat that we have designed is a Robby Lane
17 design. It's a design that we've -- you've seen built
18 before. It's very much along the lines of the Player's boat
19 in Metropolis, the gamings boat in Jefferson city.

20 In fact, the last time this boat was built,
21 it was built in about eight and a half down in that shipyard
22 down in Florida. The boat has four gaming decks on it and
23 about 25,000 square feet and it will have an area where --
24 where people can get away from the gaming environment and
25 sit back and relax.



1 MR. CHAIRMAN: You are obviously on
2 the flip side of the problem that Aztar was questioned about
3 this morning. In other words, they say they're going to get
4 a lot of people to come to Evansville and get on the boat,
5 and you say you aren't going to get very many people at all
6 to come to Evansville to get on the boat. I do notice that,
7 however, that as they do, show volume going down as
8 competition comes on bored or anticipated competition.

9 You view the opposite. Your volume grows
10 even though it's very slim through years three, four and
11 five. Also, and I'll let you answer, they indicated they're
12 going to spend \$12 and a half million on promotion. You say
13 you're going to spend \$2.5 million on promotion, and guess I
14 want to try to have you explain reconciling their
15 anticipated volume with yours and so forth and convince me
16 that you are right and they're wrong, if you can.

17 MR. SCHAEFFER: Mr. Commissioner,
18 our models were developed using actual runs of data in
19 existing riverboat casino markets using Illinois as the
20 closest case. From the standpoint of philosophy, we have
21 from the beginning, approached what the city and this
22 Commission with a conservative projection. Of course, as we
23 indicated on the slides this morning, if you look at the
24 population distribution in the greater Evansville and into
25 Northern Kentucky market which we again described as a



1 partition market.

2 We have a Metropolis on one side indicated as
3 the case in our estimate that Louisville is not a dedicated
4 market for the city of Evansville. That Lawrenceburg is
5 actually closer to Louisville and a better road. And that
6 our understanding is that in Harrison County, there programs
7 within bidders there who will appear before you most likely
8 later in the year. All of those -- all of those bidders,
9 including the ones here in Evansville will be fighting for
10 some of the Louisville market.

11 If you look at the data runs in market places
12 of similar demographics, that's population, household
13 income. It's several years of data coming out of the those
14 Illinois markets. It would suggest at that Evansville which
15 matches pretty closely to several other markets, Metropolis
16 being more. What about a number in terms of expected
17 results? Somewhere we indicated this morning between -- in
18 the 60 to a hundred million dollars, with the most like
19 expectation of only being in the 70s or maybe the 80s.

20 If we do better than that, and one of the
21 points of our presentation this morning was given our market
22 position where we do compete, which is also in about the
23 most competitive markets in the world, where we are the
24 premium competitor, given our profitability. If the
25 market's a hundred or it's a hundred and ten or it's a



1 hundred and 20, because another competitor says that doesn't
2 mean that they are most likely to achieve it. We would
3 argue that we would be the most likely to achieve it given
4 our length and history and our performance in highly
5 competitive markets in the past.

6 We are not going to stand before the
7 Commission and argue that Evansville is Chicago. Evansville
8 is not an eight million person market, nor if you want to
9 look at maybe the other example. Player's will follow us
10 today. Player's today has a boat in Lake Charles,
11 Louisiana, which in the month of December was the only
12 casino property that you could reach by car, the only one.
13 You can have over four million people in the metropolitan
14 area and they've had numbers slightly better on a monthly
15 basis than Aztar is projecting here in Evansville.

16 We're not going to stand in front of this
17 Commission and make that kind of claim, at 70 to \$80
18 million, which we consider to be an intermediate fix for
19 casino revenue, a million two, a million three and million
20 four visitors, which is our constant rate in the market
21 established. We think we produce a very good program, a
22 very healthy program, and one that can be grown over boat
23 long term here in Evansville.

24 MR. CHAIRMAN: Well, I don't mean
25 to be argumentative, but, you know, you can read into their

1 numbers and their position that they're going to give it a
2 good try in Evansville -- while in Louisville -- while
3 Evansville is the only nearest market. I mean, obviously
4 there is a time time liability and thereby the fact that
5 we're here in Evansville today and we're not going to the
6 ones where there wasn't.

7 MR. SCHAEFFER: Mr. Chairman, I
8 don't mean to suggest lack of effort. You know, we're
9 talking about reality. Two things, one is the city of
10 Evansville's own economic impact study estimate 1.4 million
11 visitors to -- to the marketplace. The only outlier
12 estimate of the six people who presented in Evansville was
13 -- was Aztar. So they seem to have a sole opinion. They
14 are also in the case of the applicants before you, the only
15 one with zero marketing strengths with cruising casino
16 vessels today.

17 But if you look at Elgin, Illinois where
18 we're in operation with the Grand Victoria, it appears that
19 in this in fact, bring month we are the number one riverboat
20 cruising vessel in the United States in terms of
21 commissions. We are doing something right. We are very
22 close to our projections, what we showed in Illinois, and we
23 think that, you know, as an earlier applicant said, we're
24 still learning. We're all learning. Non of the applicants
25 today will call the market on the nose. We do know more



1 than some of the other applicants about riverboat marketing
2 in the Midwest and what it takes to be successful.

3 In respect to the second part of the question
4 which was you don't seem to be spending as Aztar. It's not
5 what you spend, it's what you produce. We are patterning
6 our marketing budget here in Evansville after what we're
7 doing in Elgin, as I indicated earlier, not only what
8 appears to be the highest number of passengers going on a
9 cruising vessel today, but the fastest start-up in terms of
10 casino revenues generated by any cruising casino vessel in
11 the United States period.

12 MR. CHAIRMAN: Well, are you --
13 you're not telling me that in Elgin you're spending an
14 annualized \$2.5 million in advertising, are you?

15 MR. SCHAEFFER: About three
16 million.

17 MR. CHAIRMAN: Beg your pardon?

18 MR. SCHAEFFER: About three
19 million.

20 MR. CHAIRMAN: Well, then that
21 would be less than even what your budget is, which looks
22 like three percent here. So you're spending an lesser
23 percentage in Elgin to promote; is that right?

24 MR. SCHAEFFER: I think that's
25 correct.

1 MR. CHAIRMAN: And the marketing
2 promotion part is -- would be more your daily weight than
3 anyone else here? Because I -- I know the -- the Simon
4 organization would claim some expertise in marketing.

5 MR. SCHAEFFER: They have a lot.
6 Mr. Chairman, they're the developments to our market
7 position. First, we need to repeat the value of having a
8 Hyatt Hotel here. Our distribution system to attract true
9 destination visitors, people coming for a convention, people
10 coming for business meetings, the ability to the bring
11 people to a grand sign from further away. It's clear the we
12 think it's best case presented by any of the applicants.

13 We immediately should be thought of the in
14 the first place as a marketing presence here because of the
15 Hyatt sign and our assets to the reservation system and our
16 meeting planners and convention organizers. Secondly, a
17 reference made earlier today about database market. We not
18 only have programs within database at the -- in Indiana and
19 Illinois based on our experience with the Elgin property,
20 but we have a partner here in Evansville, Ellis Park, which
21 has 60 years of operating experience here and the most
22 complete database of names that would bring respective
23 customers to our riverboat. So we have a start ahead of
24 other applicants by getting in the program itself.

25 COMMISSIONER: In -- other than the



1 boat in Elgin, do you have any other boat interests,
2 anything other than --

3 MR. SCHAEFFER: No we do not.

4 COMMISSIONER: Okay. Are you
5 pursuing any other the riverboat license in any other
6 jurisdiction other than this one?

7 MR. SCHAEFFER: We have in the
8 state of Mississippi, this is Goldstrike. We have a filing
9 of suitability and we have control of 50 acres on interstate
10 10, about 45 minutes from New Orleans. And it turns out, we
11 also have a unanimous approval from the Casino Commission in
12 the state of Mississippi, but we are currently stalled on
13 that project because it turns out that our selection of
14 sites is so impressive that all of our competitors, we have
15 a couple of competitors, formed a group and complained about
16 the Commission's decision to permit us.

17 They've sued the Commission by the way --
18 other Mississippi boat operators -- sued the Commission and
19 sued the executive director of the Commission here, sued
20 them personally and sued us for attempting to getting
21 business on the back bay -- on the bay of St. Louis, on the
22 back side on the freeway. I can't tell you when or even if
23 we'll be successful in getting a business there, but it
24 certainly was a Good Housekeeping seal of approval and our
25 ability to select sites.



1 COMMISSIONER: So that's -- that's
2 in advance right now?

3 MR. AZARK: Commissioner, we also
4 have a license pending, an application pending in Missouri
5 and we're in development in a casino investment.

6 MR. SCHULTZ: Following the hearing
7 today we'd like to make a definite statement that we will
8 not sue the Commissioner or it's Commission.

9 COMMISSIONER: Has the -- has the
10 Simon family or the Ellis Park people any interest in any
11 other jurisdictions? Well, the question would be, if you
12 have the license in the other jurisdictions, Evansville
13 being more profitable and you needed the money for the other
14 jurisdictions, would you drain it off here and send it down
15 there?

16 MR. SCHAEFFER: Mr. Vowels, the
17 answer is no. From the standpoint of what we presented as a
18 financial backing of the Evansville Landing partnership
19 today has clearly been of most powerful presentation before
20 you. That would never arise.

21 COMMISSIONER: All right. In
22 reference to the statutory language with-- concerning women
23 business enterprises, minority business enterprises, what
24 are your plans in that regard as far as hiring people? And
25 would you state your name for record, please.

MR. MONTROSS: Scott Montross

again. Our claim with regard to the minority and the women business enterprises, given the mandates of the statute with regard to the ten percent and the five percent is to exceed those and to seek to exceed a 50 percent increase on those at 15 percent at seven and a half percent. And from the standpoint, anticipating follow-up to your question or maybe it was included in your question, that -- that's part of the -- part of the time I've lost from my good friend on my -- on my final argument.

The community foundation, which will have the profit sharing monies pumped into it at \$700,000 a year for each of the first five years in addition to, we expect 3.2 million in the years four and five to go through the community foundation and to be utilized throughout the community to stimulate those enterprises as well and to give them boat training and the opportunity to participate to the highest degree possible as we can with the -- with the operation.

COMMISSIONER: In reference back to the Goldstrike and the Hyatt, what are your percentages now up in Elgin as far as women and minorities?

MR. SCHAEFFER: I'm going to introduce Gregg Sullivan, who is director of operations for Goldstrike Resorts and has the senior management

1 responsibility for our company, overlooking it.

2 MR. SULLIVAN: The Elgin riverboat
3 project currently employs 35 percent minorities and 45
4 percent female in their employment. Our management -- I'm
5 proud to say our general manager there is a 32 year old
6 woman. And our Nevada percentages are almost identical.
7 I'd also like to say that the Elgin representation by
8 minority is almost a perfect mere image of the regional
9 ethnic demographics of the Elgin area.

10 COMMISSIONER: What about the use
11 of goods and services, with women and minority business
12 enterprises? Is what your -- I believe what -- the
13 statistics you gave me were in reference to your employees.

14 MR. SULLIVAN: Employees, yes.

15 COMMISSIONER: What about buying
16 goods and services? Do you have any statistics in that
17 reference?

18 MR. SULLIVAN: I have no statistics
19 currently available for the Illinois area. We do not have
20 the same mandates in Illinois that Indiana has.

21 MR. MONTROSS: I'm Mr. Montross. I
22 think the answer to your question was about women and
23 minority business enterprises, the percentages that you gave
24 for the use of goods and services from those enterprises; is
25 that correct?

1 MR. AZARK: Yes, that's -- that's
2 correct. And also and we -- we have an existing
3 relationship in that respect as far as Ellis Park is
4 concerned because they do a lot of business obviously with
5 services and that kind thing into boat state of Indiana.
6 But the -- the that's a -- that's a principal goal of this
7 partnership, is to work very hard in the areas with regard
8 to minority business enterprises and women business
9 enterprises. And that's why with regard to the community
10 foundation, the board of directors has two of the -- two of
11 the members are through Evansville One or a similar
12 organization with similar interests to ensure that these are
13 monies that go into those areas to help stimulate those
14 businesses and those interests.

15 COMMISSIONER: There was discussion
16 earlier about the fourth and six awards here in Vanderburgh
17 County county putting this referendum over the top. Is
18 there programs within intention to -- to kind of funnel
19 programs within of this? I think Aztar mentioned that there
20 would be programs within training programs within the fourth
21 and sixth wards of job services. Is there anything that you
22 all have in mind in reference to that?

23 MR. AZARK: Well, it's the target
24 area, that's for sure, and I can turn this over to Marsha
25 Oliver, one of the Simon associates and in conjunction with



1 the fourth and sixth wards, we would be most pleased to work
2 in cooperation with the state job training agencies as well
3 as the University of Evansville, the local Indiana
4 Vocational Technical College to facilitate, provide the
5 training to those youngsters and to those individuals who
6 might need additional incentive in the workplace.

7 We've had similar conversations with those
8 groups and they've have indicated interest in working with
9 us.

10 COMMISSIONER: All right. In your
11 reference to training, what's it going take for people to
12 learn how to deal and do everything else that they need to
13 do, and how long is it going to take and how many
14 southwestern Indiana residents do you intend to hire for
15 those purposes?

16 MR. SULLIVAN: For the dealing
17 positions, which would be most time intensive, generally the
18 longest actual training would go on at four months and that
19 would be for craps and roulette dealers. In the Elgin
20 project, approximately 35 percent of our dealing force was
21 trained by us from untrained Elgin employees.

22 COMMISSIONER: So I can assume that
23 35 percent came from Elgin region then?

24 MR. SULLIVAN: That's correct.

25 MR. SCHAEFFER: Well, let's --



1 let's describe Chicago and Elgin, Illinois. Elgin, of
2 course, is the suburb of a large surrounding city.
3 Evansville has an entirely different location.

4 COMMISSIONER: Well, my question is
5 of the dealers and people that have to be trained, how many
6 do you you intend to hire from this area or to bring in from
7 the outside? But, I mean, how many for the jobs for the
8 people here?

9 MR. SULLIVAN: We would operate a
10 dealer's school here in the Elgin area and offer it to all
11 prospective applicants. We would intend to train as many
12 persons from the local area as possible. In the Chicago
13 land area, we did of course have one advantage, and that is
14 that we have three other existing licensing operations that
15 were already going concerns, and they had responded to our
16 advertisings and our job affairs.

17 COMMISSIONER: Okay. How -- how
18 long is it going to take you to get a boat in the water?
19 Have you thought about that, if we -- if we would give you
20 the certificate of suitability on February 10?

21 MR. AZARK: Pardon me. Could you
22 repeat the question?

23 COMMISSIONER: Excuse me? Do you
24 want me to rephrase the question?

25 MR. AZARK: Please.



1 COMMISSIONER: How -- how long will
2 it take to you get a boat in the water if we would give you
3 the certificate of suitability on February 10, assuming
4 everything else goes without a problem?

5 MR. AZARK: By the end of the year.

6 COMMISSIONER: By the end of the
7 year. All right. In -- in reference to that, I would
8 assume you'd have to have some temporary docking facility.

9 MR. AZARK: We'll have -- we'll
10 have the permanent docking facility constructed in three
11 months after receiving the Corp permit.

12 COMMISSIONER: So you won't need a
13 temporary docking facility?

14 MR. AZARK: I don't think we'll
15 need a temp- -- we don't need a temporary docking facility
16 to dock the permanent boat. We have an option on a (End of
17 MC 70 Side B.) We have a great deal of merit. On end is
18 just west of Dress Plaza. We think that it's possible to
19 dock a temporary boat closer to Riverside Park itself. The
20 real concern here is making sure that these boats can be
21 docked safely. You know, the Executive Inn, for instance,
22 currently docks the excursion vessel down at Riverside
23 Park. It's possible that that dock would be used.

24 COMMISSIONER: All right. There
25 was a consultant that Aztar had who talked a little



1 earlier. Do you have anyone that -- that has helped you out
2 as far as safety concerns or consulted with or one of the
3 consultant companies.

4 MR. AZARK: We've -- we have
5 consulted with our marine operation crew from Elgin, which
6 is based in Lawrenceburg, Indiana. We have not yet
7 performed a risk assessment, and we haven't yet put together
8 the resulting operational plans for the riverboat. It would
9 come from that risk assessment. It will be need to be done
10 in order to get the Corp permit and we think it's important
11 and we intend to do it.

12 COMMISSIONER: All right. Just
13 quickly, in reference to part-time employees, how many
14 part-time employees would you estimate that you would have?

15 MR. SCHAEFFER: Typically, about 15
16 percent of the employment force department.

17 COMMISSIONER: All right. And
18 would they -- they receive the benefits that full-time
19 employees would have, particular health care?

20 MR. SCHAEFFER: The qualification
21 is 30 hours of service per week.

22 COMMISSIONER: All right. So
23 anyone less than 30 hours wouldn't be eligible for it then.
24 In reference to -- sometimes there are complimentary rooms
25 given out. Are you intending to do anything like that with

1 the new Hyatt Hotel, and if so, what percentage and how will
2 that effect the numbers that you've given to us?

3 MR. PRITZKER: We really haven't
4 talked about what the policies would be of those
5 complimentary rooms. I would say this, that since the
6 partnership is the same in terms of ownership of the hotel,
7 and the ownership of the casino, subject, of course, to
8 whatever requirements any lender might put on it if he had
9 separate financing, he would do whatever to maximize total
10 revenue. So if it were beneficial to the partnership as a
11 whole to count rooms and create additional casino business,
12 we would certainly do that.

13 COMMISSIONER: Okay. I only have
14 one more question. Have you signed with any other
15 developmental hearing in the southwestern Indiana area?

16 MR. SCHULTZ: We're currently
17 working on a project in Evansville, a power strip center on
18 the north -- east side.

19 COMMISSIONER: And what is a power
20 strip?

21 MR. SCHULTZ: Well, it's a big --
22 it's a big center without being enclosed.

23 COMMISSIONER: It's like a shopping
24 area?

25 MR. SCHULTZ: Shopping area, yes.



1 It's -- we have a 50 acre option at Lloyd and Brochardt.

2 COMMISSIONER: Okay. I don't have
3 any other questions.

4 MR. SULLIVAN: Mr. Vowels, if I
5 may. Pardon, me, Mr. Chairman. My view was blocked of Dan
6 Azark when you asked a question about putting the boat in
7 the water. Gregg Sullivan was there. I want to make sure
8 -- the delays, since I knew it was Dan's area, I figured
9 that he was distracted or something. We got in the water
10 before the end of the year, did we not Dan, with the
11 temporary boat? It's the new boat that would be at the end
12 of year.

13 MR. AZARK: The new boat would be
14 be at the end of the year. The temporary boat could be
15 within a month or six weeks of getting a Corp permit to do a
16 temporary boat. That could be as soon as August or
17 September.

18 COMMISSIONER: There are a couple
19 of sites that you have in mind as far as temporary docking?

20 MR. AZARK: Yes.

21 COMMISSIONER: All right. I don't
22 have anything further.

23 THE CHAIRMAN: Anything further?

24 COMMISSIONER: I have a couple of
25 questions. Could you refer back to your list of civic

1 contributions that you showed us today and tell us what
2 appears on this list that was not on the original.

3 MR. AZARK: We can start with the
4 profit sharing fund. The revitalization fund wasn't there,
5 and the lease statement was there. The community foundation
6 was there, the park replacement was not. The development
7 fund was there and the learning center was there and Victory
8 Theater contributions was there. The off-site improvement
9 was not separate as a line item I believe. Pigeon Creek was
10 there and the emergency response plan was not.

11 COMMISSIONER: Park replacement was
12 not, off-site improvements was not, emergency response plan
13 was not. What else was not? The profit sharing plan?

14 MR. AZARK: Yes, sir.

15 MR. MONTROSS: I think Pigeon Creek
16 increased, it was my recollection, between the original
17 number and the 250,000 that you have in front of you.

18 COMMISSIONER: You were showing I
19 think that this -- this was pretty close to double what your
20 original local incentives were.

21 MR. AZARK: I believe we were at 15
22 million before.

23 COMMISSIONER: Fifteen?

24 MR. AZARK: Fifteen or fifteen
25 five.

1 COMMISSIONER: As sort of a
2 follow-up of one of the other questions. Do you have some
3 type of conflict resolution agreement within your
4 partnership agreement or anything kind of --

5 MR. SCHULTZ: We don't have a
6 specific conflict resolution. We have, as I described
7 earlier, a committee, an executive committee board of
8 directors that requires a majority vote, so you require --
9 ours requires three out of four votes to make decisions.

10 COMMISSIONER: Do -- are all of
11 your companies jointly and separately responsible for all of
12 the commitments that you make to Evansville?

13 MR. SCHULTZ: Our -- our approach
14 to the specific commitments that we'll be making an
15 impressive letter of credit. As Dan had suggested earlier
16 we were going to post a letter of credit or a credit
17 instrument of that sort, the obligation of the various
18 partners would be several. So it would -- in terms of -- in
19 terms of the obligations to the city itself, they would have
20 that letter of credit as a support or guarantee for the
21 obligations. But our intension was to provide that on the
22 separate basis.

23 COMMISSIONER: Do you have any debt
24 that you've incurred recently, major debt? Certainly Hyatt
25 hasn't, that would affect this project in any way.



1 MR. SCHAEFFER: From Goldstrike's
2 standpoint, the way to look at it is we got Solomon Brothers
3 in the interest of shortening our presentation and did not
4 show that slide. It was the opinion the Solomon Brothers to
5 look at our financing power and the amount of debt that we
6 have at the end of the balance sheet. We were the most
7 financial power plan, Goldstrike alone appearing before this
8 Commission today. We have had some debt in the last year,
9 personal problem debt programs, but in terms of our equity
10 ratio, or relative to the amount of debt we have, we were
11 well above industry averages in terms of having a lot of
12 equity relative to debt.

13 COMMISSIONER: What was the -- when
14 was the last debt issued by your company?

15 MR. SCHAEFFER: Oh, we have no --
16 we have no bonds. We have no capital market debt. All of
17 our debt is on a bank line. Today that number would be
18 about a hundred and thirty-five million dollars on our -- on
19 our credit lines.

20 COMMISSIONER: Do you know what
21 your interest rates is?

22 MR. SCHAEFFER: Yeah, our interest
23 rate is about 24 and one.

24 COMMISSIONER: Pardon?

25 MR. SCHAEFFER: Twenty-four plus

1 one approximately.

2 COMMISSIONER: The other companies?

3 MR. HARRINGTON: Ellis Park has had
4 no recent debt.

5 COMMISSIONER: Let me ask a question
6 here because this is important, at least to me. We were
7 told earlier today that these boats would bring enough
8 occupancy to hotels that would not only sustain the new
9 hotel, but it would in fact take the other hotels in the
10 community and lift their occupancy rates, and they gave
11 specific numbers, target numbers. And in fact, I guess
12 you're saying the exact opposite of that, which is --

13 MR. PRITZKER: The city's estimate
14 of rooms -- this is in the Deloid Touth is that right? The
15 Deloid and Touth study, which we're not at all convinced.
16 It might in fact be too aggressive. We might be more
17 conservative than that, but they're number was I believe 69
18 thousand; is that right? Sixty-six thousand one and fifty
19 room nights to be generated by the casino. That in itself
20 will represent a 250 room hotel running at about 80 percent
21 occupancy. So if you build a 250 room hotel and it ran 80
22 percent, as I think I've heard projected today, that would
23 soak up essentially all of the demand predicted by Deloid
24 and Touth to be created by the casino, leaving no additional
25 rooms for existing hotels.



1 Obviously, it wouldn't be as neat as that,
2 but those are the general numbers. We don't think there's
3 going to be significant room demand generated by this
4 riverboat. It would be nice to say there is, but we really
5 think that it's minimal. If there is such demand created,
6 hotels will be built in response to that demand. We think
7 that building a hotel initially, anticipating that demand is
8 fine, and we don't subscribe to this.

9 COMMISSIONER: One last question
10 that I have that I may have misunderstood. On your boat,
11 you're not going to have dining facilities with no place to
12 dine on this boat, or are you just going to have slot
13 machines? Is that the deal?

14 MR. AZARK: The primary dining
15 facility are in the pavilion. The pavilion has the
16 restaurants. The pavilion has the sports bar. The gaming
17 area on the boat is 25,000 square feet, and if the -- the
18 lounge area, if you will, on the boat will be probably about
19 1,500 square feet. There will be food and beverage in that
20 lounge area. It's not unlike the non square feet we have in
21 our vessel in Elgin.

22 COMMISSIONER: I have to ask this
23 one quick question. In the Kentucky agreement and principle
24 that you had submitted to us it shows the signature as
25 Goldstrike, Hyatt and Ellis. Mr. Simon you're not --



1 haven't signed off on that agreement to pursue to land-based
2 casinos in Kentucky? You're not on here or either they
3 didn't tell you about it.

4 MR. SIMON: We have a sharing
5 interest, a small sharing interest in Kentucky, but we don't
6 just take part anymore in the decision.

7 MR. STEVEN SIMON: We have a small
8 carried interest. We have a small interest in Kentucky if
9 any gaming would take place in Kentucky, but we're not -- we
10 won't be involved in any decision making if that should
11 happen.

12 COMMISSIONER: I guess my question
13 is how come you guys didn't sign off on that?

14 MR. SCHAEFFER: Yeah, I think -- I
15 think the best explanation is that the Simon interests are
16 not obligors on the Kentucky agreement. They do not have
17 any obligation to fund those funds. They do have, as Steve
18 describe, a carried interest, but they are not part of the
19 active partnership with specific obligations to each other.

20 MR. CHAIRMAN: I -- I guess I don't
21 really understand exactly what interest you have in
22 Kentucky.

23 MR. SIMON: Well, it's really that
24 we didn't feel we could add anything. One of the conditions
25 that we want is to kind of reveal that we could add some

1 value to it, and we didn't feel that we could add any value
2 to Kentucky; however, since it would be part of the
3 situation, there was a carried interest in it if it does
4 occur. So that's why we are actively pursuing anything in
5 Kentucky and --, but if it happens, our good partners will
6 make sure that we don't get hurt.

7 MR. CHAIRMAN: Don't tell Herb that
8 you're making those kinds of dealings.

9 MR. SIMON: Also if you find that
10 you are that persuasive with the Kentucky legislature could
11 you put in a word about the Ohio river?

12 MR. CHAIRMAN: Anything further?

13 COMMISSIONER: You know, I just
14 have one question. As part of the marketing program that we
15 heard about earlier today, there was going to be big name
16 entertainment brought in and use of some of the existing
17 theaters. Do you have any plans to that effect that you
18 would be able to bring in entertainment as part of a draw?

19 MR. SCHAEFFER: Well, I'm not sure
20 I heard that. I heard about lounge entertainment. I'm not
21 sure from this standpoint of what we intend to do here. The
22 principle attraction is a riverboat itself and then the
23 small cruising period. So you generally don't -- don't have
24 people spending days and going to shows in the evening.
25 From the standpoint of our ability to access, because again



1 it's a learning process and you do what works and
2 competition arises, you tend to put more things in your
3 share than -- than done in the earlier days. From the
4 standpoint of having access to star entertainment, having
5 experience particularly in the Indiana market with
6 entertainment, we would certainly be talking to our partner
7 Simon, who are major presenters of entertainment and
8 entertainments in this state. In fact, maybe Herb or can
9 elaborate on that.

10 MR. SIMON: Well, we've got to
11 agree the faces on anyone sitting here is an exhibitionist;
12 although, having lost the last time that I handled this I'm
13 not so sure about that. But we do operate markets from
14 Indiana and the latest opportunities to bring some of the
15 entertainment venues down here. But if there's an
16 opportunity, we'll be able to handle it.

17 COMMISSIONER: And just one more.
18 Can you describe a little bit in more detail what that
19 retail would be like in the -- in the waiting area?

20 MR. SIMON: Well, if we're talking
21 about mainly pavilion area, mainly the restaurant or the
22 sports bar concepts, but again, I'd like to think of the
23 hotel 6 blocks away and Main Street leading to the riverboat
24 as two anchors, and I guess we'll be -- I know we'll be
25 working with the city to see if we can develop other

1 opportunities. And, of course, there are other venues that
2 could come down after the riverboat comes in, over family
3 entertaining vendors that we're working on now as far as our
4 shopping centers. So it's not very specific, but we do get
5 the first shot at any new kind of a situation than those
6 that applied to Evansville will be there to provide.

7 MR. CHAIRMAN: Anything further?

8 COMMISSIONER: I have just one
9 clarification. On Goldstrike, is that hundred and
10 thirty-five million that you have at whatever plus one
11 secured it this case?

12 MR. SCHAEFFER: It has does not
13 have Elgin secured. Elgin is just free cash flow to the
14 partners that would be boat Nevada properties, which are the
15 two properties that Goldstrike voted down and the railroad
16 mastered.

17 COMMISSIONER: Okay. Thank you.

18 MR. CHAIRMAN: Anything further?

19 COMMISSIONER: Mr. Schaeffer, did I
20 understand your slide earlier to indicate the Grand Victoria
21 is averaging 1,500 passengers per cruise?

22 MR. SCHAEFFER: That is the maximum
23 capacity currently per cruise. 1,5000 is the maximum
24 capacity.

25 COMMISSIONER: That's not what

1 you're averaging.

2 MR. SCHAEFFER: No. Our occupancy
3 rate is about 85 percent.

4 COMMISSIONER: You're not quoting
5 that the market in Elgin is the same as the market in
6 Evansville with regard to your study.

7 MR. SCHAEFFER: I think we're one
8 of the few applicants, at least -- well, partly we're the
9 only applicant that has made that claim, but we think that
10 Chicagoland is a much bigger market than Evansville. And
11 what we indicated on the slide was that the vessel with a
12 capacity of 1,500 passengers, it would be more than ample to
13 service the customer demand in this in fact, bring
14 marketplace given that that's what we're doing in Elgin,
15 Illinois.

16 COMMISSIONER: Is that what you
17 presently propose your vessel will have, 1,500?

18 MR. SCHAEFFER: Fifteen hundred
19 cruising capacity.

20 COMMISSIONER: Mr. Azark, from your
21 remarks as regard to the operation of the temporary
22 facility, can we assume that you have no permanent plan at
23 this point to operate from a temporary facility?

24 MR. AZARK: That's correct.

25 COMMISSIONER: Do you have any kind



1 of different thoughts or ideas you can support?.

2 MR. AZARK: We've looked at four
3 sites. We've had engineers look at the four sites and
4 evaluate those, but we haven't filed for Corp permits on any
5 of them.

6 COMMISSIONER: Mr. Harrington, what
7 percentage of your net wins during past year did you donate
8 to the city of Evansville?

9 MR. HARRINGTON: Did we donate to
10 foundations?

11 COMMISSIONER: Charitable
12 contributions, foundations or anything else like that to the
13 city of Evansville.

14 MR. HARRINGTON: Our charitable
15 foundation over the last five years has donated 400,000, and
16 85 percent of that has gone to Evansville.

17 COMMISSIONER: Eighty-five, that is
18 of the 400,000 over five years?

19 MR. HARRINGTON: As far as our
20 foundation's concerned, correct.

21 COMMISSIONER: Is there anything in
22 addition to that?

23 MR. HARRINGTON: In the charitable?

24 COMMISSIONER: Just corporate
25 neighbor contributions to the city of Evansville, like as



1 Ellis Park donated to the city of Evansville.

2 MR. HARRINGTON: Well, that was
3 charitable, and then the relationship foundations on goods
4 and services and employees and all those other
5 relationships.

6 COMMISSIONER: I'm just asking
7 about dollar contributions. It's 85 percent of 400,000
8 thousand for five years.

9 MR. HARRINGTON: For charitable.
10 We do about six and a half million each year in goods and
11 services with Indiana suppliers.

12 COMMISSIONER: I understand that.
13 I'm talking about aside the cost of doing business when the
14 goods and services that utilize as part of that employment.

15 MR. HARRINGTON: Correct.

16 COMMISSIONER: What kind of
17 donations has Ellis Park made to the city of Evansville?

18 MR. HARRINGTON: That would be to
19 our foundation, about 400,000 over the last five years,
20 about 85 percent of that to Evansville.

21 COMMISSIONER: Okay. I do want to
22 hit another point as we've hit a couple of times, and that's
23 why is it in the best interest of the state of Indiana to
24 give a license to a group that's aggressively going to
25 pursue land-based gaming at Ellis Park? Anybody that wants

1 to answer that can. From what I've heard, I'm failed to be
2 convinced it's in the best interest of the state of Indiana.

3 MR. PRITZKER: I'll take a shot at
4 this. This group is -- in any event, whether we're
5 successful or not in this application, we're going to
6 pursue; although, no one said aggressively and there's been
7 no decision to pursue aggressively. But we are not saying
8 certainly that we will not pursue a license also in the
9 state of Kentucky. There will be -- whatever may happen in
10 Indiana, groups including our own that are going to be
11 supporting gaming in Kentucky, if gaming happens in Kentucky
12 and if in fact it happens at Ellis Park, our contention is
13 that it will be better for Evansville to have the same
14 ownership, have a casino in Evansville and in Ellis Park
15 because those two facilities can market together to support
16 each other as opposed to compete with each other.

17 That's particularly the case in a possible
18 situation where the Ellis Park facility might effect a
19 land-based. So that's why we're not -- gambling has made it
20 intentionally that it would be better for Evansville to have
21 gaming in Kentucky, but that's a separate issue. We're
22 saying if there is gaming, it would be better if there is
23 cooperation in the ownership as unified between the two.

24 COMMISSIONER: Well, the revenue
25 generated for the state of Indiana is obviously the 15

1 percent tax against that, which if there's a land-based
2 casino in Ellis Park, the state of Indiana would not get.
3 In addition, Evansville would not get that five percent.
4 It's your group's important decision to say, if we get a
5 license here we will not pursue land-based gaming at Ellis
6 Park and we could in fact guarantee there would be no
7 land-based gaming at Ellis Park as long as your partnership
8 stays together for a period of five or ten years, but you've
9 not chosen to take that path. Why not.

10 MR. SCHULTZ: Mr. Thar, your
11 question suggests that -- that our group necessarily could
12 control whether or not there is gaming, competitive gaming
13 in Kentucky.

14 COMMISSIONER: I didn't say
15 Kentucky, I said Ellis Park. Ellis Park is Kentucky. I
16 understand that.

17 MR. SCHULTZ: Yes.

18 COMMISSIONER: Your group is the in
19 the very position to say, we will not bring land-based
20 gaming to Ellis Park, yet you have chosen not to take at
21 that avenue. The question is, why not? From the state of
22 Indiana's prospective, it's much better to not have gaming
23 at Ellis Park, land-based casino at Ellis Park.

24 MR. PRITZKER: We will -- I can
25 state for myself that we've been speaking for Ellis Park,

1 having confirmed this with Mr. Harrington as to whether to
2 ask the other partners to agree with this, but we're willing
3 to say and Ellis is willing to say that we will not in fact
4 open a casino at Ellis Park for a five year period after
5 this license is granted to us.

6 COMMISSIONER: Do I hear ten?

7 MR. CHAIRMAN: Do I hear any
8 locations within a 50 mile radius of Evansville?

9 MR. SCHULTZ: Maybe what we can do
10 is let -- let them get their management team together.

11 COMMISSIONER: Think about that and
12 tell us tomorrow.

13 MR. SIMON: I agree with that.
14 Okay. Would you -- would it be satisfactory -- would you
15 like for us to make a written statement in regard to our
16 competitive position and give that to you tomorrow?

17 MR. PRITZKER: We would expect a
18 negotiating session, but we're perfectly willing to take
19 this under advisement and give you a note on this tomorrow.

20 COMMISSIONER: Don't get me wrong,
21 I'm not negotiating. I'm just asking you why you didn't
22 pursue it before.

23 MR. PRITZKER: I understand.

24 COMMISSIONER: Your earlier
25 position with regard to a hotel was that you were not going



1 to pursue one here unless four specific points, four
2 specific conditions were met; is that correct?

3 MR. AZARK: That's correct.

4 COMMISSIONER: You did not then
5 earlier pursue the purchase of the Executive Inn. You did
6 pursue some other options with them; is that right?

7 MR. AZARK: We had some
8 conversations with them about buying the Executive Inn,
9 owning the Executive Inn, and conversations with them about
10 renovating the Executive Inn. We'd had a series of all of
11 these consultations over the last year.

12 COMMISSIONER: The times you were
13 negotiating and participating in the city process consisted
14 of you purchasing the Executive Inn, had it not; is that
15 correct?

16 MR. AZARK: That's correct.

17 COMMISSIONER: At the time you were
18 talking about possibly lending them money to operate your
19 facility or general marketing agreements to help them run a
20 facility in connection with your riverboat, but the purchase
21 of the Executive Inn was not yet discussed by your
22 organization; is that right?

23 MR. AZARK: That is correct.

24 COMMISSIONER: I'll save the rest
25 for tomorrow.



1 MR. CHAIRMAN: We would be on time
2 if you hadn't have had so many questions. Is that all of
3 Evansville Landing?

4 COMMISSIONER: I'd like to -- when
5 you come back tomorrow have the specs or whatever you have,
6 as far as what number you got for renovations of the
7 Executive Inn. If you could give those to Mr. Thar because
8 I may like to see them.

9 MR. CHAIRMAN: Okay. I should
10 thank you for your presentation because it's been most
11 enlightening, but I don't because you have made our job very
12 hard, whereas you made the mere selection committee's job
13 apparently very easy. So we'll -- with that, we will move
14 for a 15 minute recess, and we thank you all for coming.

15 (Thereupon, a break was taken;
16 after which, the proceedings
17 continued as follows:
18 Continued in Volume II.)

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